WEEKEND FT XIX

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D 8523 B

France: new age dawns for television, Page 24

World news

Mubarak warns Libya on hijacking

Egypt's President Hosni Mubarak warned that if action was taken against Libya over the hijacking of the Egyptair Boeing 737 it would be severe. His remarks came amid speculation that Egypt was considering possible reprisals for the incident, which left 60 people dead.

Egyptian officials believe that Libya was behind a renegade faction of the Palestine Liberation Organisation that carried out the hijacking.

Mubarak said: "We are not warmongers, but if we adopt war it will be for the sake of peace. We are patient. I do not like to be hurried. But if I reply it will be severe." Page 3

Manila battle

A least 10 people, including four soldiers, were killed when a group of 50 Communist guerrillas raided a military detachment near Manila, the Philippines' capital. The country's National Assembly approved a bill setting early elections for president and vice-president on February 7.

Volunteer mayor

Israel has accepted an offer from Palestinian businessman Zafer Masri, a pro-Jordan moderate, to take over as mayor of the West Bank town of Nablus, backed by its 11-man chamber of Commerce. Israel has run its municipal affairs since it dismissed the previous mayor 3½ years ago.

General charged

General Morris Zaza, Liberia's armed forces commander until a failed coup earlier this month, has been charged with mutiny and sedition.

Madrid bomb error

A Spanish air force Phantom fighter accidentally dropped an unarmed bomb on a Madrid suburb causing heavy damage to three houses but no injuries.

Irish hold trawlers

Irish navy patrol boats fired on five Spanish trawlers fishing in Irish territorial waters and detained two of them, a maritime radio monitoring station in northern Spain said. Three other trawlers escaped because of thick fog.

Financier appeals

Financier José Ruiz Mateos, who fled Spain in 1983 when his troubled Rumasa group was seized by the Government, has appealed against a court decision refusing him political asylum in West Germany.

Soweto staff recalled

Baragwanath Hospital, which serves the South African township of Soweto, reinstated 1,700 black nurses and auxiliary workers who were dismissed after protesting about pay and conditions.

School head shot

Gunmen shot dead the Zimbabwean head of e Methodist Church school and his wife in Matabeleland.

Aids vaccine caution

Jean-Claude Chermann, French discoverer of the Aids virus, said the world might need at least five years to judge whether a proposed vaccine treatment for the disease was effective.

Gospels fetch $2m

The Gospels of St Hubert, written in France in the ninth century, fetched $2m from an unnamed European telephone bidder at a Sotheby's, London, auction. Page 22

Fowl play

Attendants removed a man dressed as a chicken from the government front bench in Australia's lower house of Parliament.

Business summary

BHP pays $745m for Monsanto oil unit

BHP, the Australian mineral resources group, has widened its US energy interests by acquiring the oil operations of Monsanto, the US chemicals company, for $745m. Page 26

WALL STREET: At 3pm the Dow Jones industrial average was 4.59 higher at 1461.24. Page 50

LONDON: Issues fell to profit-taking but gilts showed some advances. The FT Ordinary share index shed 18.4 to 1,128.5 and the FT-SE 100-share index was 23.6 lower at 1,431.9. Page 50

TOKYO: Stocks eased slightly on concern over the higher yen. The Nikkei average shed 0.29 to 12,783.10. Page 50

DOLLAR was on the whole weaker in London, falling to DM 2.549 (DM 2.566), SFr 2.091 (SFr 2.101) and FFr 7.7875 (FFr 7.8175). It was slightly firmer at Y201.0 (Y200.7). On Bank of England figures, the dollar's exchange rate index fell from 127.1 to 126.9. Page 43

STERLING gained 70 points against the dollar in London to $1.4705. It was also higher at Y295.5 (Y293.75), unchanged at SFr 3.075 and fell to DM 3.7475 (DM 3.755) and FFr 11.4225 (FFr 11.44). The pound's exchange rate index was unchanged at 80.5. Page 43

GOLD rose $0.75 on the London bullion market to $331.75 and was $0.95 higher in Zurich at $331.70. Page 42

PORTUGAL'S new Government cut interest rates by 4 percentage points and temporarily suspended a monthly crawling-peg devaluation of the escudo in an attempt to boost investment and growth. Page 2

EEC governments instructed the European Commission to draw up proposals for a common position on restoring order to the world tin market.

US INTERNATIONAL Trade Commission (ITC) ruled that imports of cellular mobile telephones from Japan are injuring the US industry and ordered the imposition of anti-dumping duties. ITC chief executive profile, Page 8

BANK OF MONTREAL, Canada's third-largest chartered bank, showed a gain of almost 20 per cent in earnings for the year to October 31. Page 27

COMMERZBANK, West German banking group, expects profits this year to reach DM 1.5bn ($586m) for the first time and says it will "markedly" increase its dividend. Page 27

SINGAPORE International Airlines' eagerly awaited public share offering looks likely to be less successful than expected because of e six-day fall in stock market prices prompted by the near-collapse of Pan-Electric Industries. Page 29

WÄRTSILÄ, Finnish shipbuilding group, will lay off 400 shipyard workers and 50 office staff at its Turku yard between Janucry and June next year unless new orders are obtained before the end of 1985.

ALLIED-LYONS, UK food and drinks group fighting a £1.8bn ($2.63bn) takeover bid from Elders IXL of Australia, reported a 21.6 per cent rise in first-half taxable profits to £122.6m. Lex, Page 26; Details, Page 32

METALLGESELLSCHAFT, West German metals, chemicals and trading group, has strongly increased earnings and intends to resume a dividend payment, marking recovery from a setback in recent years. Page 27

VOEST-ALPINE'S president and management board have resigned after sudden and unexpectedly high losses at some companies in the Austrian state-owned steel, engineering, electronics and trading group. Page 27

SEA-LAND, big US container shipping group, has rejected the approach of Mr Harold Simmons, the Texas businessman who owns a quarter of the shares and has bid $25 a share for the remainder. Page 27

Central bank chief says Pretoria must accelerate reform

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S Reserve Bank Governor bas appealed to the Government to accelerate the pace of change now that the country is faced with mounting foreign pressure for tangible evidence of reform as a precondition for debt rescheduling.

Capital was still draining away from the South African economy and would continue to do so unless perceptions thet the country was in an "Iranian-type, pre-revolutionary situation" were changed, Dr Gerhard de Kock told a banquet on Monday night in honour of South Africa's 100 largest companies.

He hinted that that message had finally got through to the Government after direct warnings from Dr Fritz Leutwiler, the former chairman of the Swiss National Bank, who is acting as mediator between South Africa and more than 300 foreign creditor banks.

Dr de Kock said be "confidently expected" the Government "to introduce political and constitutional reforms during the next session of Parliament that will go far enough to win the support of moderate black and white opinion in the Republic and some nther African states."

Dr de Kock, who up to now has insisted on tha technocratic, non-political nature nf the bank, also called on the black states of sub-Saharan Africa to begin to prepare for the day when political reform in South Africa reached the point where they could give it their "open, if qualified, support." That time, he added, "may be nearer than is generally realised."

The outflow of capital from South Africa had continued despite a R5.5bn ($2bn) surplus on the current account of the balance of payments and reintroduction of the two-tier financial and commercial rand system. Few of the transactions contravene the exchange-control regulations introduced on September 1 when South Africa suspended capital repayments on $14bn of short-term debt.

However, Dr de Kock rejected the imposition of draconian new restrictions and law-enforcement procedures to stem the flow as they would "almost certainly be counterproductive."

Instead, to improve that "serious" situation, Dr de Kock said "the reform process must be accelerated, with due allowance for the fact that Parliament will have to play its full part in this process."

South Africa, he added, "must press on with reform and not allow the antagonism, the double standards, the selective morality and the hypocrisy of many critics to harden our attitudes."

Turning to the domestic ecoonmy Dr de Kock launched a broadside against those calling for a "siege economy." In a thinly veiled response to calls for greater controls made recently by Mr Fred du Plessis, chairman of the Sanlam insurance group, and others, Dr de Kock said: "All measures that will contribute to South Africa's isolation and tend to turn it into a siege economy should be opposed.

"It would inevitably soon deteriorate into a tightly regimented economy run along socialist lines by bureaucratic planners leaving limited scope for private enterprise and effective competition to promote economic development and rising standards of living for all."

● The South African Government yesterday denied that it was considering the release from jail of African National Congress leader Mr Nelson Mandela. Recent press speculation was the work of "ruthless propaganda experts from behind the Iron Curtain," said Mr Louis Nel, Deputy Minister of Information.

Brazil will not seek new debt deal with IMF

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE BRAZILIAN Government no longer intends to seek an agreement of any type with the International Monetary Fund (IMF).

The declaration by Mr Dilson Funaro, Finance Minister, after two days of talks in Washington with IMF and US officials, closes a nine-month chapter of on-and-off negotiations with the fund. It also means that the proposed multi-year rescheduling agreement on Brazil's $104bn foreign debt is virtually dead.

Talks with the Brazilian bank advisory committee on an ambitious $45.3bn rescheduling agreement were abandoned last February when the IMF suspended its extended fund facility loan to Brazil in response to serious breaches of domestic adjustment targets.

In its place, Mr Funaro said Brazil would ask its 700 bank creditors to extend the existing temporary arrangements that expire on January 17 for "another year or two." Medium and long-term bank loans falling due for repayment up to the end of 1987 total $22.2bn.

Talks are due to take place in New York between Brazilian officials and the 14-member bank advisory committee in about two weeks. All the indications are that these will be extremely arduous.

The announcement by Mr Funaro that the already fading prospect of a formal agreement with the IMF is now dead comes on top of last Wednesday's upsetting news for international banks that Brazil does not intend to honour $455m in foreign loans extended to three Brazilian banks wound up on the orders of the Government.

Confirming the tough line that the Sarney Government has taken on this controversial issue, Mr Funaro said in Washington: "If we are not going to pay the Brazilian creditors, we are not going to pay the foreigners," adding: "This point is very clear. It is a matter of justice."

Following last week's announcement, inter-bank credit lines to Brazilian financial institutions – the Achilles' heel of the country's economy – are reported to have come under pressure. At the last official count these short-term credits totalled $5.6bn, but they are likely to have declined in recent weeks.

The apparently final dropping of an IMF agreement by Brazil could also have serious implications for UK businessmen, particularly those needing medium-term finance for capital goods sales. Britain's Export Credits Guarantee Department (ECGD) has made clear that it will not resume medium-term cover for Brazil without a prior agreement with the IMF.

Most at risk is a major $200m contract between Rolls-Royce and Embraer, the state aircraft manufacturer, on the one hand, and the Brazilian Government on the other.

A preliminary agreement where-

Continued on Page 26

Brazil and US divided on services, Page 8

Hanson vows to continue fight for SCM after court setback

BY TERRY DODSWORTH IN NEW YORK

HANSON TRUST, the UK industrial group, lost the first round of its long legal battle for control of SCM yesterday, but immediately launched a further action against the New York company in the appeals court.

Sir Gordon White, chairman of Hanson's US interests, said the company was disappointed by yesterday's judgment, but "confident" that the courts would ultimately vindicate Hanson's case.

However, shares in SCM fell by $5⅜ to $72⅜ after the news, indicating that the arbitrageurs who now hold most of the SCM stock are less sanguine than they had previously been that Hanson would win the legal action. If Hanson loses, shareholders will receive only $74 a share in cash and paper from Merrill Lynch, tha New York securities company that is mounting a rival bid, rather than the $75 a share on offer from the UK group.

Yesterday's ruling, eagerly awaited on Wall Street because of its potential significance in other US takeover contests, was centred on the controversial question of the use of "lock-up" options in takeover battles.

Under a lock-up agreement, a target company in a takeover contest gives a favoured bidder an option to buy certain key assets in an attempt to ward off an unwanted offer. Hanson argued that such a lock-up granted by SCM to Merrill Lynch, which has assembled a bid involving some SCM managers, should be denied by the court because it impeded the bidding process.

The UK company also contended that the directors of SCM, a highly diversified group that makes Smith-Corona typewriters and runs a variety of pigmentation and food businesses, had not carried out their fiduciary duties and were wasting corporate assets.

Rejecting the Hanson claims, Judge Shirley Kram of the southern district of New York, said SCM had employed "reasonable measures... as part of a viable business strategy, as the law currently defines those terms." Hanson, she added, had failed to adduce sufficient credible proof to the contrary.

The court came down in favour of SCM on most issues at stake, saying the directors had done their best to achieve a fair value for shareholders. It broadly supported the directors' case that they had exercised their "best business judgment" – a crucial issue in takeover law – in deciding on the tactics to be used to maximise the takeover price of the company once the hostile Hanson bid had been launched.

On the other hand, the Hanson side was emphasising last night that the judge had also pointed to her unease over "several aspects of the independent directors' actions."

Lex, Page 26

UK to urge companies to give more jobs to blacks

By John Lloyd in London

THE BRITISH Government is to attempt to persuade companies to exercise some discreet positive discrimination in their recruitment practices, in order to tackle the growing problem of unemployment among blacks, especially young blacks.

Mr Peter Bottomley, the junior Employment Minister, will next month begin a series of meetings with company chairmen and other senior industrialists with the aim of cajoling them into taking a personal interest in hiring more young people of Afro-Caribbean or Asian origin than they presently do.

The Department of Employment and the Commission for Racial Equality reckon that somewbere between 50,000 and 100,000 more young blacks are unemployed than would be the case if they were white – a rough measure of the consequences of discriminatinn.

The Government, however, does not favour compulsory quotas or the use of government contracts to enforce compliance, at least for the moment. Last month Mr David Waddington, the Home Office Minister of State, said these were being considered.

Mr Bottomley's pitch will be aimed at persuading business leaders that they should ensure that their companies follow the Commission of Racial Equality's code, which lays down that companies should not discriminate either consciously or unconsciously in hiring or promotioo practices.

Mr Bottomley said last night: "The plain fact is that if we look at the numbers of people in employment, then young blacks are not getting the kind of chance they ought to be getting. The tendency is for them to get proportionately fewer jobs and to stay at the bottom of the promotion ladders when they are in work."

The minister intends to pursue his campaign for greater racial equality in employment in both the public and private sectors. He recognises that the Civil Service and other public sector areas are lagging in offering equal opportunities as much as many companies in the private sector.

He has adopted the figure of 50,000 to 100,000 jobs for black youngsters as a target which he aims to achieve within the period of the present Parliament. The growing belief in the Government and elsewhere that high unemployment among blacks is in part responsible for recent riots in Birmingham and London has given his task a greater urgency.

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Rome insists on more power for Strasbourg

BY QUENTIN PEEL IN BRUSSELS

ITALY yesterday served a virtual ultimatum on fellow EEC members to grant more powers to the European Parliament or see their planned reform package rejected.

Mr Giulio Andreotti, the Italian Foreign Minister, and a leading architect of the reform exercise, warned that any deal unacceptable to the European Parliament faced rejection in Rome – a threat which would appear practically to give the MEPs a power of veto.

His stance on granting more authority to the directly elected assembly mnre than the present plan to give the Parliament powers of amendment without any final say on EEC legislation – caused confusion among his colleagues.

Mr Andreotti's warning came as the EEC foreign ministers neared the end of marathon efforts to agree on reforms to the Treaty of Rome, intended to streamline and revitalise the Community, in time for next week's summit.

Both Italy and European Parliament members are demanding full powers of co-decision-making for the assembly – a reform described as completely unacceptable by several states led by Britain and Denmark.

They insist that the Council of Ministers, the EEC's supreme decision-making body, must retain the final say.

Mr Andreotti did, however, suggest a possible way out of the impasse: by leaving the question of the Parliament's powers to be resolved in further negotiations, with a commitment to co-decision-making at some future date.

A compromise plan would allow the Parliament to amend EEC legislation at a second reading, which, if endorsed by the European Commission, could nnly then be rejected by the Council voting unanimously. That seems acceptable to all except Italy at one extreme and Denmark at the other.

The ministers did succeed yesterday in finalising almost all the text of a new treaty on political co-operation – the co-ordination of foreign policy outside the economic area already covered by the EEC.

Ultimate endnrsement will be left to next Monday's summit in Luxembourg, but nn substantial objections remain.

The agreement will provide for the establishment of a small Brussels-based secretariat, to service the regular meetings that already take place.

A French plan for a second super-secretariat, or "European Union," to supervise both political co-operation and EEC affairs and report directly to the summit meetings, was strongly attacked yesterday, particularly by Belgium and the Netherlands.

Editorial comment, Page 24;
Threat to steel accord, Page 26

Texaco tries to calm bankruptcy fears

BY WILLIAM HALL IN NEW YORK

TEXACO, the US oil group, yesterday tried to calm fears in world financial markets that it might be forced to seek court protection from creditors in the wake of last week's decision by a Texas jury to award $10.5bn damages against the company.

On Wall Street, $2bn has been wiped off the company's market capitalisation since the decision, which has yet to be confirmed by a judge. There has been growing concern about Texaco's financial ability to appeal any final decision which would involve posting a $12bn bond under Texas state law.

Texaco shares fell sharply to a 12-month low early yesterday morning and nearly 5m shares changed hands by mid-session, following a Dallas newspaper report that the company might be forced to file for protection from creditors under Chapter 11 of the US bankruptcy code in order to appeal against the Court decision.

Following the report Texaco issued a statement saying no final judgment had been made against the company and it was not clear that it would be required to lodge a bond.

However, the statemeot did not stem the share slide and by early afternoon shares were $2¼ down at $32 in heavy trading. This compared with $39¾ on the eve of last week's decision.

The Dallas report quoted Mr Al Decrane, Texaco's president, as saying: "If a $12bn bond is required – Texaco does not have $12bn, and in my opinion, probably can't get it – then we'd have to look for some heroic measure whether it's Chapter 11 or whatever."

Texaco said yesterday that "obviously a Chapter 11 proceeding would be a very extreme step that

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Accomplished American go-getters admire Soviet staying power

Peter Marsh looks at opportunities for US-Soviet co-operation in space

THE US and the Soviet Union have adopted entirely different strategies from manned space projects. As a result, their civilian space programmes could complement each other rather neatly — should the two countries decide, in the wake of last weeks summit between their respective leaders, to restart joint space projects.

The US has concentrated on building a sophisticated set of partially reusable space carriers — the fleet of four shuttles — which are good at taking people back and forth from orbit relatively cheaply.

In contrast, the Soviet Union boosts people into the heavens with old-fashioned expendable rockets and, to bring them back again, uses 1960s-technology Soyuz capsules which drop hair-raisingly to Earth with parachutes.

The difference shows in the profile of the two countries' space projects. While the US puts people into orbit for no more than a week to 10 days, the Soviet Union, having gone to the trouble and expense of injecting its cosmonauts away from the earth on top of a Proton booster, generally likes to keep them there for months at a time.

Since 1971 it has put into space a series of seven Salyut space stations, big metal capsules which act as a rudimentary home for Soviet spacefarers while in orbit. The latest, Salyut 7, has been in space since 1982.

The divergent approaches show up most clearly in the space statistics. Since trips by humans out of the atmosphere started in 1961, Moscow has made slightly more headway in manned space missions — 59 to the US's 53. (This is not counting the latest space shuttle flight, which was due to start just after midnight today, British time.)

It has a much greater lead in cumulative time spent in orbit, expressed in person-years — 11.5 to 4.5. The US, however, has accomplished its missions using many more astronauts. There have been 113 Americans in space, compared with 60 Soviet citizens, three from West Germany, two Frenchmen and one each from 13 other countries. Nine were women.

Over the next few years, however, the two superpowers' strategies for manned projects are likely to move closer.

In collaboration with Western Europe, Canada and Japan, the US plans to build in the 1990s a space station along the lines of the Salyut bases, only with more technical sophistication. For instance, much of the routine work of running the station will be left to computers and robots, leaving astronauts to get on with scientific studies, in materials processing for instance. People will live in the base for three months at a time.

For its part, the Soviet Union has experimented in recent years with a small reusable vehicle that looks very similar to the US shuttle. Observers think that the craft could ferry people and materials to a new Soviet space station, bigger than Salyut and with more docking ports, which could enter orbit in the next year or two. This station is code-named "Mir," Russian for "peace."

The scene is therefore set—in theory—for the two countries to move closer in space activities. In exchange for know-how from the Russians on the biological effects of long-term weightlessness and results from materials processing work on Salyut, the US could hand over a few thoughts on space transportation and future types of shuttle vehicles.

Political realities make such a formal swap arrangement somewhat unlikely. It is clear, however, that the two countries could both gain from a better understanding of the other's approach to extraterrestrial matters.

There is also much admiration in the US space community for recent Soviet exploits aboard Salyut-7, in particular for the heroic way two cosmonauts repaired the station in June after electrical failure had blacked out the 47-tonne base for several months.

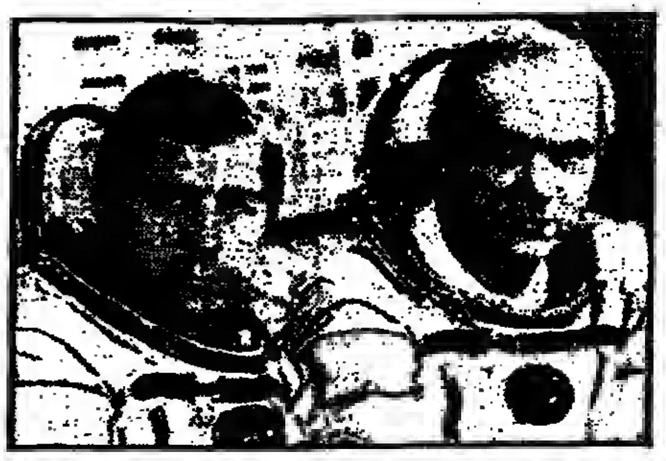
Mr Vladimir Dzhanibekov and Mr Viktor Savinykh worked in darkness and in grim physical conditions to bring the station back to life.

"It was an incredibly bold mission," said Mr James Oberg, a mission controller at Nasa's Johnson Space Centre in Houston and a leading authority on Soviet space affairs.

Mr Savinykh stayed in orbit, with two other cosmonauts who joined the station in September, until last week. For the first time, the Soviet Union during this mission conducted a crew switch, without the customary procedure of "mothballing" a station for several months between the visits of successive teams of cosmonauts.

This has fuelled speculation that the country is preparing to keep people in space on a permanent basis, another sign of a significant change in approach and one that the US intends to match with its own plans for its 1990s space station.

The first article in this series appeared on November 19.



Bold mission: Soviet cosmonauts Viktor Savinykh (left) and Vladimir Dzhanibekov, who repaired the Salyut-7 space base.

EEC man at centre of row returns to Ankara

By David Barchard in Ankara

THE EUROPEAN Commission's representative in Turkey, Mr Gwyn Morgan, has returned to Ankara after a month's absence following a serious dispute between the EEC and Turkey.

In sending him back, the Commission is believed to have overruled the wishes not only of the Turkish Government, but also those of the British, West German and Dutch ambassadors in Ankara who thought Mr Morgan should be replaced.

The storm arose following European Parliament approval of a report condemning Turkey for various human rights violations, including the imprisoning of peace activists and restrictions on trade unions. Mr Morgan was accused of writing submissions to the Parliament attacking Turkey.

The accusations were made after the Turkish ambassador to the EEC was handed confidential correspondence from the Community's office in Ankara to the European Parliament's secretariat. He was given it by the Ulster Unionist MEP Mr John Taylor, who had himself received it by mistake from Mr Morgan.

Lengthy extracts appeared in Turkish newspapers and even some Western embassies appear for a *while* to *have* believed that Mr Morgan was the author of the correspondence.

A British embassy spokesman said yesterday that there had been confusion because the Commission had not adequately briefed embassies and because more than one document was involved.

He denied that the Community had been approached directly about not sending back Mr Morgan, though embassy officials have made it plain to journalists over the past month that they believed it would no longer be easy to work with him.

Attacks on Mr Morgan have continued in the Turkish press since his return. These claim that although the Turkish Government was not willing to declare him persona non grata, it would prefer him to be replaced. On Monday the ultra-Islamic Welfare Party staged a demonstration over the affair outside the EEC office in Ankara.

Turkey is an asociate member of the European Community and plans to become a full member, although no date has been fixed for an application for membership.

Devaluation of escudo halted until April

By Diana Smith in Lisbon

THE NEW Portuguese Government has suspended the crawling peg devaluation of the escudo until April. Monthly devaluations will then resume, but at a rate lower than the average 1 per cent over the past two years.

Interest rates on borrowing and lending have also been cut by four percentage points. The new rate for six-months to one-year deposits, the preferred form of savings, will now be slightly over 20 per cent.

The moves are designed to encourage a resumption of industrial activity after two years of severe depression and to improve the escudo's image on foreign markets.

Honecker sacks hard-line rival

BY LESLIE COLITT IN BERLIN

A LEADING hard-line rival of Mr Erich Honecker, the East German leader, has been ousted from his influential post as the Communist party chief of East Berlin. Mr Konrad Naumann had already lost his membership on the ruling politburo late last week after asking to be removed for "health reasons."

He has been deposed apparently for being out of step with Mr Honecker's efforts to improve relations with West Germany.

The Communist party newspaper, Neues Deutschland, said Mr Naumann, once regarded as a potential successor to Mr Honecker, was relieved of his duties on the recommendation of the party central committee. It carried no expression of thanks normally extended to senior officials retiring after ill-health.

East European diplomats in East Berlin point out that both Mr Naumann and Mr Herbert Haeber, the central committee secretary responsible for relations with Bonn who also lost his politburo post, had made known their deep suspicions about Mr Honecker's accelerating *Westpolitik*.

Mr Naumann referred in 1983 to a DM 1bn West German Government-backed loan to East Germany as a "Marshall Plan." His view was echoed by Soviet diplomats who warned last year that East Germany was in danger of falling into West Germany's economic orbit.

He also disagreed with the East German leadership's decision last year to allow more than 40,000 East Germans to emigrate to West Germany, and he was a persistent critic of dissenting writers and artists.

At 57 years of age the deposed East Berlin party chief was one of the younger members of the politburo, along with Mr Haeber who is 55.

The removal of the two men and the appointment to the politburo of three new candidates comes at a time when Mr Honecker is showing renewed interest in a visit to West Germany. He was forced to cancel a trip scheduled for September of last year after a campaign in the Soviet media which warned East Germany of the dangers of seeking loans from Bonn.

Irish shipping company hit by seamen's strike

By Our Dublin Correspondent

ALL FREIGHT and passenger services operated by the Irish state shipping company B & I have been halted by a lightning strike by the Union of Seamen in Ireland.

The union is protesting about rationalisation plans at the loss-making company, which would involve the shedding of 525 jobs. B & I said the board was due to consider representations from all the unions today.

The Irish Government appointed Mr Alex Spain, leading accountant, to draw up the plan to reduce B & I losses.

The unions claim the rationalisation plan relies too heavily on job losses.

Policy accord leaves way clear for Martens cabinet

BY IVO DAWNAY IN BRUSSELS

MR WILFRIED MARTENS, the Belgian Prime Minister-designate, is expected to name his Cabinet today or tomorrow, following the endorsement of his programme by congresses of the four centre-right coalition parties last weekend.

The apportioning of portfolios, however, may prove somewhat more controversial than drawing-up an overall government strategy. The latter, drawn up after five weeks of tortuous negotiations has provoked little surprise and follows closely the austerity lines of Mr Martens's previous administration.

Speculation is now centring on the role to be offered to Mr Charles-Ferdinand Nothomb, the francophone Social Christian Interior Minister, whose handling of the Heysel soccer riot in which 39 died partly provoked the election.

Mr Jean Gol, parliamentary leader of the French-speaking Liberal Party, has called for Mr Nothomb's removal and there are reports that he could be offered the leadership of the Walloon regional authority, a post outside the cabinet.

A question-mark also hangs over the future of Mr Frans Grootjans, the Flemish Liberal who holds the Finance portfolio. He could be replaced by his fellow Liberal, Mr Guy Verhofstadt.

While the Government's programme has altered little from that of the previous administration, an original plan to reduce the budget deficit to 7 per cent of gross national product by the end of 1987 has been revised, with the target now set at 1989.

Mr Martens hopes to complete the creation of his new team by Friday when the government's programme will be presented to both houses of Parliament. The key vote of confidence debate is not expected until Wednesday

Sweden records SKr11bn current account deficit

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SWEDEN ACCUMULATED a deficit of SKr 11bn (£982m) on the current account of the balance of payments in the first nine months of the year, compared with a surplus of SKr 3bn in the corresponding period a year earlier.

The rapid deterioration in the external payments position in the early part of the year appears to have been halted, however. In September alone the current account showed a surplus of SKr 600m compared with a deficit of SKr 300m in the same month last year.

The current account, which shows the balance of trade, services and transfers, had a deficit in the first quarter of SKr 8.1bn but the second quarter total was only SKr 1.2bn and in the third quarter it was SKr 1.7bn.

The large deficit in the first months of the year was caused chiefly by a rapid worsening of the trade balance, but Sweden's trading performance has been improving since the early summer.

October was the fifth month in succession in which the trade surplus was higher than in the corresponding months of 1984. From June to October, Sweden achieved a trade surplus of SKr 8.5bn compared with SKr 6.1bn a year earlier.

The heavy deficit in the first five months of the year, which triggered a financial crisis in May, has pulled down the trading performance for the full year, however. From January to October, Sweden had a trade surplus of SKr 10.5bn compared with a surplus of SKr 19.1bn in the first 10 months of 1984.

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Mr Nikolai Ryzhnov (left), the Soviet Union's new Prime Minister, receives the congratulations of Mr Gorbachev (right), the party leader who nominated him yesterday at a meeting of the national parliament in Moscow. President Andrei Groyko looks on

Gorbachev calls for action as economy again misses goals

BY OUR MOSCOW CORRESPONDENT

A MORE dynamic approach to solving the Soviet Union's economic problems was demanded yesterday by Mr Mikhail Gorbachev, the party leader, as the Kremlin revealed that some plan targets will be missed again this year. He called for better administration and tighter planning to exploit further reserves in the economy.

The recently appointed planning chief, Mr Nikolai Talyzin, followed a new pattern in blaming the mistakes on practices followed under President Leonid Brezhnev and his close ally, Mr Konstantin Chernenko, also later President. Some targets will not be met, mostly because of a slow transition to intensive methods of economic activity and also because of lack of organisation in several sectors, he told 1,500 deputies of the national parliament gathered in the Kremlin.

Mr Talyzin gave few details of the shortfalls. Criticising the oil and steel industries by name, he said the oil industry would be expected to produce 616.7m tonnes in 1986. This would be 18.7m tonnes above the expected output this year, meaning production this year would be significantly lower than the 613m tonnes of 1984. That figure represented the first fall in annual oil production since the war.

He said 1985 results were generally positive and he predicted higher growth next year. Almost all of it is due to come from higher labour productivity in line with draft plans that call for workers to double industrial output by the year 2000.

Productivity this year, he said, will meet the 3.7 per cent target but this is 0.1 point down on 1984 and still a whole percentage point behind the annual growth needed to double output in the next 15 years.

National income this year is expected to be 3.5 per cent up on the 1984 figure and industrial production 3.9 per cent, down from the 4.2 per cent growth rate last year. Some of the shortfall is due to the severe winter.

Mr Talyzin gave only vague figures for agriculture this year, saying gross output rose Roubles 2.1bn (£1.88bn) from Roubles 135bn in 1984. He set a 4.4 per cent increase in agricultural production, with 4 per cent in industrial output.

Planned revenue is set at Roubles 414.4bn and spending at Roubles 414.2bn. The defence budget, which went up an announced 12 per cent last year remains the same at Roubles 19.063bn.

David Buchan writes: Declining hard currency earnings from energy exports to the West and arms sales to the Third World led the Soviet Union to increase its net debt to Western commercial banks by \$4.2bn to a total of \$9.5bn in the first six months, according to PlanEcon, the Washington-based research organisation.

The steep increase in Soviet net debt — gross borrowings from Western banks minus deposits in those banks — occurred as Moscow first ran down deposits by \$2.6bn in January-March and then increased gross borrowings by \$3bn in April-June, according to Bank for International Settlements (BIS) figures.

PlanEcon believes Moscow will increase its gross indebtedness to Western banks by \$5bn-\$6bn this year, given lack of attractive alternative lending options in the world and excellent Soviet credit ratings.

W. German exports at record DM 49.3bn

By Rupert Cornwell in Bonn

WEST GERMAN exports hit an all-time high last month of DM 49.3bn (£13.1bn), as the country remained firmly on course to register record surpluses on both its trade and current accounts for 1985.

According to figures released yesterday by the Federal Statistics Office in Wiesbaden, October showed a trade surplus of DM 8.7bn (£2.3bn), surpassed only by the DM 8.8bn achieved 12 months earlier. But for the first 10 months of this year, the cumulative surplus rose to an unprecedented DM 58.3bn, from DM 40.9bn in the same period of 1984.

This suggests that forecasts from a wide variety of analysts that the trade surplus will reach a record of around DM 70bn-DM 75bn this year, will be comfortably borne out.

The pattern is even more pronounced in the current account, which includes service transactions and other transfers as well as trade. Between January and October of this year, the surplus more than tripled, to DM 27.4bn from only DM 8.3bn in the first 10 months of 1984.

Only last week the independent economic advisory council of the Government, the so-called "five wise men" predicted that the current surplus would turn out around DM 42bn this year, more than double last year's record of DM 17.7bn.

Although there are signs that, as a result of a pick-up in domestic demand, imports may be starting to rise faster than exports, the latest figures will do little to still foreign apprehension over the apparently inexorable growth in the West German foreign surplus.

Estimates for next year's trade surplus, even allowing for some up-valuation of the D-mark, range between DM 83bn and DM 100bn.

In the first 10 months of this year, exports climbed nearly 1 per cent to DM 447.9bn, while imports advanced by 8 per cent to DM 389.6bn. In real terms, the rises were 7 and 4 per cent respectively.

French TV inquiry urged

BY PAUL BETTS IN PARIS

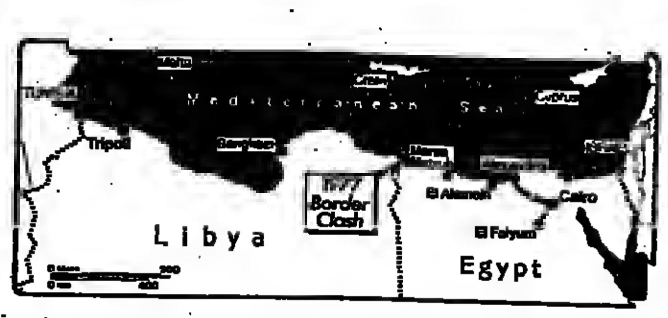
FRANCE's right-wing opposition parties have called for a parliamentary commission of inquiry into the decision to grant a Franco-Italian group led by Mr Jerome Seydoux and Mr Silvio Berlusconi the licence to operate the first French private television network.

Mr Alain Madelin, a leading UDF member, said the government had flaunted the rules of free competition. He added that both his party and the Gaullist RPR would change the current situation in French broadcasting if they win next March's general election.

However, there are already sings that rival broadcasting groups are showing interest in collaborating

Egypt warns Libya of reprisals

BY TONY WALKER IN CAIRO



EGYPT'S PRESIDENT Hosni Mubarak has warned that if action were taken against Libya over the hijacking of the Egyptair Boeing it would be "severe." His remarks come amid speculation here that Egypt is considering possible reprisals.

Already badly strained relations between Cairo and Tripoli have been further soured by the episode which left 60 dead, most of whom perished in the storming of the plane by Egyptian commandos.

Egyptian officials are alleging that Libya was behind a renegade faction of the Palestine Liberation Organisation headed by Abu Nidal, also known as Sabri al-Banna, which carried out the hijacking itself.

Mr Mubarak, asked about the military option at a brief news conference yesterday, said: "We are not warmongers, but if we adopt war it will be for the sake of peace. We are patient. I do not like to be hurried. But if I reply it will be severe."

Egypt's president revealed that Dr Esmat Abdel Meguid, the Egyptian Foreign Minister, had telephoned his Libyan counterpart last Sunday morning to warn him that the situation in Malta was "drastic and dangerous."

Mr Mubarak also indicated that France, the US and Britain offered to send in anti-hijack forces. "I would like to thank France and many other countries which showed their readiness to send in specialised troops in this field, including the Americans and English," he said. "But our troops were very highly trained."

A western defence attache said that while the Government was considering various options, any military action would be approached with "tremendous caution." The official said that the bitter memories of the costs of Egypt's open ended military commitment in Yemen in the 1960s on behalf of the new republican government against domestic opponents was likely to discourage any adventurism.

The depths of Egyptian antagonism against Libya, both official and unofficial, is such that the Mubarak administration undoubtedly feels under pressure to "score a victory" over Col Muammer Gadaffi, as one observer put it.

Egyption-Libyan relations have been poisonous for more than a decade. They have been marked by frequent periods of extreme tension, including a brief border war in July 1977. At the time, then president Anwar Sadat said he wished to "teach Gadaffi a lesson he would never forget." Hostilities were suspended after about four days.

There have been a number of incidents in the past year between the two countries. Egypt has alleged it has uncovered several plots to assassinate Libyan exiles here.

After one such plot to murder a former Libyan prime minister, Mr Mubarak branded Col Gadaffi "an international terrorist." The Egyptian semi-official press described the Libyan ruler as a "mad, bloodthirsty leader who behaves like a criminal." Libya frequently denounces Mr Mubarak as a tool of the Americans.

Egypt blamed Libya for last year's mining of the approaches to the Suez Canal and produced circumstantial evidence about the suspicious movements of a Libyan ship in the region just before the mines started exploding as a possible indication of Tripoli's involvement.

The US has added its voice to allegations that Libya was behind the Egyptair hijacking. There is little doubt, observers say, that the US would back an attempted reprisal against Libya.

Athens criticises Malta's handling of hijack

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE yesterday strongly criticised the Maltese Government for the handling of the Egyptian airline hijack crisis and lashed out at West German and French criticism of security standards at Athens Airport.

Mr Karolos Papoulias, the Greek Foreign Minister, said in a press conference yesterday that Athens feels "the possibilities for a different, less bloody ending to the hijacking were not exhausted" before the Egyptian commando raid on the hijacked aircraft. Only five of the 17 Greeks aboard, most of them seamen, survived.

A wounded air pirate, the only one of five hijackers to survive, was reported out of danger yesterday and under close police guard at a Vallette hospital, Reuter reports from Valletta. The man was recovering after surgery. Government spokesman Mr Poul Mifsud said Mr Hani Galal, the pilot of the Egyptair flight, had identified the man as one of the hijackers who seized his Boeing 737 on an Athens-Cairo flight last Saturday.

Mr Papoulias also disclosed that Greece has protested formally to West Germany over criticisms of security at Athens Airport reportedly made by Mr Friedrich Zimmermann, the Interior Minister, in an interview on the hijacking.

Mr Zimmermann was quoted as advocating a boycott against Athens. "I personally told the minister that he shouldn't be in such a hurry to make judgments, especially coming as he does from a country afflicted daily by terrorism," Mr Papoulias said.

He was similarly scathing about "unacceptable" remarks on Athens made by Mr Jean-Luc Steiger, president of the French Air Line Pilots Association.

Security standards at Athens Airport were found to be "satisfactory" by the International Air Transport Association (Iata) last July, about one month after the hijacking of a TWA jet flying from Athens to Rome. The week before the Egyptian airline hijack Athens was inspected and cleared by the US Federal Aviation Administration.

An Iata mission left Geneva yesterday for Cairo and Athens to inspect airport security.

Plan for Peres talks with Hassan in doubt

By Walter Ellis in Tel Aviv

A PROPOSED meeting between King Hassan of Morocco and Mr Shimon Peres, the Israeli Prime Minister, which could have given a jolt to the faltering Middle East peace process, is now in doubt.

King Hassan told French journalists on Monday that he was ready to respond positively to a request, conveyed by an Israeli Member of Parliament for such a meeting. Yesterday Mr Peres announced that he too was willing to talk.

But last night King Hassan told a French news agency that if Mr Peres had something positive to propose he should "put it in an envelope and address it to the UN Secretary General." His response to Mr Peres' initiative should not have been construed as an invitation to talks in Morocco, he said.

King Hassan, chairman of the Arab League, is a Middle East go-between of long standing, used by both Arabs and Israelis.

Moroccan troops have fought in wars against Israel and an Arab summit was held in Fez in 1982. However, King Hassan has avoided anti-Israel propaganda and has met Israeli leaders several times over the last 10 years.

David Housego writes in Paris: who starts a three day visit to Paris today, said in his interview with French journalists that his Government wanted to buy 24 Mirage 2000s from France.

But he made clear that there would have to be continuing discussions over price and delivery dates. The Moroccan airforce is equipped with Mirage F-1's but has also been considering buying US equipment.

The King is expected to press for stronger safeguards to prevent the entry of Spain and Portugal into the EEC damaging Moroccan exports to Europe of fruit and vegetable products.

Straight-talking Mahathir keeps a wary eye on changing China

Robert Thomson reports from Peking on the Malaysian Prime Minister's views of Sino-Asean relations

UNLIKE MANY visiting leaders who have received Peking's usual rounds of banquet flattery, Dr Mahathir Mohammad, the Malaysian Prime Minister, has nttered more than the typical platitudes.

The straight-talking Dr Mahathir, who is on an eight-day visit here, has made clear that he and his Government ere still very wary of China and will not be "caught napping" by a change in political direction that threatens the security of South-east Asia.

His frank assessment of the potential for change in a Chinese Government with e history of radical change comes at a time when the Chinese hava been assiduously cultivating ties with South-east Asia, and is no douht a concern shared hy several of his Asean partners.

In recent months, China and Indonesia have reached agreement on direct trade. Mr Lee Knan Yew, the Singaporean Prime Minister, has visited, and China bas begun selling arms to Thailand.

But the emerging Chine is still an unknown quantity for South-east Asia netions irritated by its "moral" ties with communist groups in the region, and uncertain of the effects of the push for modernisation on their economies.

Dr Mahathir talked tough on China's "moral" link with tha Communist Party of Malaya, which, he said, looks to China for guidance and, rightly or wrongly, believes China will provide it with material assistance.

"I cannot be at ease with the feelings of some people in Malaysia, particularly the insurgents out in the jungle. They still believe in outdeted ldeas and think they could get help from China simply because of ethnic connections," he said.

"That is their belief, and because they believe that, they are not doing things in the interest of Malaysia and maybe not in the interests of Malaysian-Chinese relations."

The Malaysian leader said assurances were givan to him by the Chinese leadership, with which he "feels very comfortable," that they have no intention of threatening South-east Asia. Nevertheless, "we have to maintain scrutiny of our relationship all the time."

"As you know, countries do change and in the case of Chine we have seen very radical changes. No leadership of any country can be absolutely certain thet the policies of their country will not change. That is what is bugging us."

Last week, the Chinese news agency, Xinhua, devoted mnch time to talking-up the development of relations with the members of the Association of South-East Asian Nations (Asean) with a focus on the growing trade links. A Western diplomat observed that China has used vey different approaches in developing relations with Asean and Western European countries.

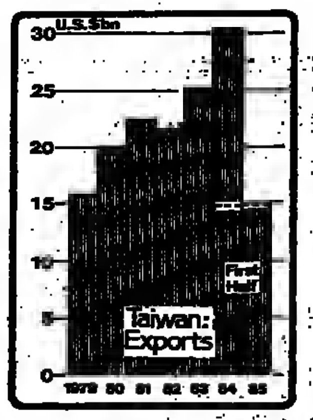
With Western Europe, the diplomat said, China first established strong diplomatic ties and than worked to exploit the economic benefits of those relationships. With Asean, China is working to establish trade links with the hope that stronger diplomatic ties will follow.

At present, trade in the region is working in China's favour. It runs surpluses with most Asian countries, and its export expansion has sometimes been et their expense. China's oil exports soared 46 per cent in the first balf of this year, and Western bankers say the chief loser was Indonesia.

Diplomats bere say China trade will not be the windfall some Asean nations hope for. But Asean members are experiencing economic difficulties and look towards China as a means of expanding exports as protectionism makes other markets difficult to penetrate.

Bob King in Taipei assesses the economic and political difficulties facing a 'non-nation'

Taiwan grapples with an uncertain future



Two political and financial scandals, coupled with declining exports, have meant a difficult year for the Taiwan authorities. The changes in China are also making long-term planning difficult for a country with a curious international status.

TAIWAN, long considered one of Asia's showcases of economic and social development, has had some rough experiences in the political and economic arenas this year.

First, the Government arrested and ultimately convicted the head of a top security agency, two aides, and a pair of underworld figures on charges of arranging or carrying out the slaying of Henry Liu, a Chinese-American journalist and critic of the Taiwan Government.

Hard on the heels of that fiasco, which threatened to erode Taipei's relations with Washington, came the collapse of the Tenth Credit Co-operative and its affiliate, the Cathay Plastic Industrial Corporation.

That affair, which caused tha loss of millions of dollars to financiers and private investors, eventually led to the arrest and conviction of a member of Parliament on an assortment of charges, and to the resignations of both the Economics and Financa Ministers.

More significantly, it caused the nation's army of small investors, upon whose informal lending many private companies depend for their day-to-day financing, to lose faith in the stability of private companies and to place their money in less risky places, such as banks.

This occurred against the background of e general economic slowdown. Exports, which traditionally account for ebout half of annual gross national product, decreased during the first 10 months by 0.7 per cent compared with the same period last year, because of lowered demand abroad.

Rising protectionist moves in the US, which normally takes ebout half Taiwan's exports, could further reduce imports and squeeze private companies more tightly in future. Combined with antiquated financing systems and lending procedures at local banks, which are reluctant under even the best business conditions to lend to private businesses, produces a dismal outlook for the private sector in the short term.

The Government, under pressure from businessmen, foreign bankers and progressive hnreaucrats to reform Taiwan's economic and financial systems, in May appointed an economic reform committee to look into the system's shortcomings and propose wasy to correct them.

The committee last week presented 56 proposals to the executive branch, but it is not yet clear when, and, more importantly, to what extent, the Government will implement them.

Competing with urgent economic and social problems, though is the question of Taiwan's international identity and political future. Both the Nationalist Government in Taipei, and the Communist one in Peking, continue to claim to represent all of China—Taiwan included.

Currently, only 24 nations maintain diplomatic relations with Taipei, mostly Latin-American, but including South Korea, Sandi Arabia, and South Africa. Peking, officially at least, continues to keep up the pressure for early reunification.

For a start, it proposes trade, postal end telecommunications links, as well as the right for each-way visits. Taipei, extremely sceptical of Peking's good intentions, rejects these proposals, calling them "sugar-coated poison," and has in essence called on Peking to abandon Communism and institute a democratic form of government before any contacts take place.

Taipei's stance, at least on the matter of negotiations with Peking over the island's future, makes sense to the relatively affluent Taiwanese, who are not interested in trading either their economic success or their hard-won personal fredoms for a dubious place in the Communist sun.

But at the same time, Taiwan's "non-nation" status irks many Taiwanese, who feel a strong pride in the island and who are beginning to press for greater freedom and Government reforms. Taiwan's uncertain international status makes long-term planning, in business and even on the personal level, extremely difficult at best.

Despite Peking's official hard line there are signs that today's more-pragmatic Chinese leadership is preared to let history provide a solution where diplomacy and threats of force have failed.

Recently, observers inside and outside China noted that China's top priority remains modernisation rather than confrontations with or over Taiwan. They added that Peking would likely remain content with the status quo: only foreign domination of Taiwan, a declaration of independence, or internal chaos would force Peking's hand, and even than it is not clear what options would be open to China.

In the view of many Taiwanese the reunification ball is in Peking's court. While many people who consider Taiwan to be their bome press for reforms, they keep one eye on China, hoping to see the economic, political, and social improvements that would give the two sides more in common than language and culture.

As one native Taiwanese put it recently: "If they improve the economy so that the people there can live like we do, and give them the freedoms that we have, then I wouldn't mind reunification at all."

Nakasone's rivals set to keep Cabinet jobs

BY JUREK MARTIN IN TOKYO

NEXT MONTH'S Cebinet reshuffle is unlikely to produce change in the upper ranks of the Japanese Government and ruling Liberal Democratic Party.

This means that Mr Noburo Takeshite and Mr Shintaro Abe, the leading contenders to succeed Mr Yasuhiro Nakasone as Prime Minister, will move into their fourth years as Finance and Foreign Ministers respectively.

Another candidete, Mr Kiichi Miyazawa, will probably stay on as head of the LDP's policy committee and Mr Shin Kanemaru, the power hroker behind Mr Takeshita's bid for the leadership, as Secretary General.

Jepanese Cabinets are routinely overhauled every year, with Cabinet posts allocated not on the basis of the ability or interests of individual politicians but in order to satisfy the five factions who comprise the bnlk of the party.

It is, therefore, unusual for Mr Takeshita and Mr Abe to bave inhehited their positions for as long as they bave, which is, of course, for the duration of Mr Nakasone's term. A year ago, both men, especially Mr Abe, were known to be restless, but any post other than that of LDP Secretary General would not have furthered their ambitions.

The official reason for Mr Abe and Mr Takeshita staying on is that they are needed both for the Tokyo economic summit next May and because of the heavy and controversial parliamentary schedule.

It matters far more that Japanese politics are entering an intense tactical phase with a general election, probebly shortly after the summit, and the contest to succeed Mr Nakasone gathering pace.

The hottest current issue reflects this: Parliament is badly stalled over a modest electoral reform proposal designed to meet the Supreme Court's concerns over the imbalance between rural and urban constituencies.

The LDP probably could, if united, push through the Diet a version backed by Mr Nakasone, which would take six seats away from the countryside. The centrist parties oppose the bill because it is inadequate while rank-and-file MPs from both the LDP and the Socialist Party, which bas many rural MPs, are naturally nervous.

Probebly the real reason for the impasse is that Mr Nakasone's intra-party rivals do not want to give him what he wants—which they see as a flexibility to dissolve parliament and bold snap elections et his convenience.

Sierra Leone leader to step down after 17 years

BY PETER BLACKBURN IN ABIDJAN

A VETERAN African leeder steps down tomorrow, ending an era in Sierra Leone.

Mr Stevens: end of an era

President Siaka Stevens, 80 years old, is due to band over power to Maj Gen Joseph Momob after 17 years in office, his legecy a run-down economy, widespread corruption, an overvalued currency and massive smuggling of diamonds and gold, the country's two leading exports.

Gen Momob, 48, the sole presidential candidate, was endorsed by voters last month in the first such exercise since Sierra Leone gained independence from Britain 24 years ago.

It provided a rare example, say diplomats, of peaceful political change in Africa and the polls were a stark contrast to the 1982 parliamentary elections marred by violent clashes between supporters of rival candidates from the All People's Congress, the country's sole political party.

Although Gen Momoh was the sole presidential candidate the high voter turnout and nearly unanimous support were seen by observers as indicative of genuine popular support.

Gen Momoh, who had previously kept e low political profila and was free from tha discredit attached to most of the country's polltlcians, was chosen earlier this yeer by President Stevens in e shrewd move to defuse the potentially explosive succession issue.

Gen Momoh rapidly proved to he a popular choice with his call to clean up the country's political and economic management. But his ahility to hring real change will depend on bis success in distancing himself from President Stevens.

Foreign businessmen and hankers will be looking for a positive change in relations with the International Monetary Fund following the hreakdown of the last egreement in November 1984. The Government has so fer rejected IMF advice to float the exchange rate in order to fuse the official and black market rates for fear that this would provoke e sudden and socially unacceptabla rise in prices.

In a recent interview Gen Momoh stressed thet ha agreed with other reforms proposed by tha IMF.

Matabeleland couple killed

GUNMEN burst into a church school and shot dead a Zimbabwean school head and his British-born wife in southern Matabeleland province on Monday night, Reuter reports from Harare.

Mr Luke Khumalo, 58, principal of Tegwane Methodist Secondary School since 1974, and his wife Jean, 54, died in a hail of gunfire when the attackers stormed the school.

The school is about 15 miles north of Plumtree, the Zimbahwe-Botswana hordar town. Rebels, who the Government says are supporters of the opposition, are active throughout Matabeleland.

AMERICAN NEWS

US defence cuts 'could reduce force by one-third'

BY REGINALD DALE, US EDITOR IN WASHINGTON

DECLINING growth in US defence spending, and recruiting problems, could reduce US conventional forces by as much as one-third by 1990, according to an in-depth study published by the Georgetown Center for Strategic and International Studies this week.

The impact on US military eapability will be "profound," the study says, obliging the Pentagon and the armed forces to make increasingly difficult choices nver defence priorities. With the reduced force levels envisaged, the report suggests tbat the US might be unable to win a major conflict with the Soviet Union.

The study was conducted over the past 18 months by a group of senior retired military officers and Pentagon civilians, under the aegis of Georgetown University. It took as its basic assumption that, in the current mood of Congress, there would be no real growth in defence spending in the 1986 fiscal year and only 1.5 per cent annual real growth in the following fiscal years up to 1990.

This spending pattern would represent a $290bn (£200bn) shortfall from the Administration'a original five-year defence plan of January, 1985, the study says. If there was no real growth in spending, the shortfall would be $337bn and with nn allowance for inflation it would reech $516bn.

Concurrently, the total number nf men and women reaching the prime recruiting age of 18 will decline by more than 10 per cent between now and 1995.

Faced with these constraints, the study group conclnded, the Pentagon would choose to retain current force structures and rednce readiness and sustainability, tha worse of its two options. It would be far preferable to keap readiness as a high priority and allow the forces to contract, the study said.

Under the course likely to be adopted, US forces in the 1990s would ba reduced to approximately the same level of readiness as in the late 1970s, before President Ronald Reagan's build-up—a "bollow" and unprepared force. In addition, for political and traditional reasons, cuts would probably be applied equally to eech service "the worst of all the alternatives."

If, on the other hand, readiness were maintained and the force structure redneed to reflect the new financial constraints, the army would lose three of the 18 active divisions originally planned for 1990, the air force six-ont 39 active and reserve tactical fighter wings and the navy three out of 15 planned carrier battle groups.

Washington would be forced to choose between "two unpalatable geopolitical futures: to reduce US forces for Nato and reduce European confidence in the US, or to reduce US forces for South-West Asia and the Pacific and rednce the confidence of Asian allies in the US commitment."

Members of the group also pointed out that weapons costs continue to increase at e rate of six per cent a year above the inflation rate and that added pressure on conventional spending will come from increased spending on nuclear weapons and the Star Wars space defence programme.

Significant relief cold come from improvements in the effectiveness and efficiency of the defence acquisition process, but this was likely to be only temporary, the study said. A 15 or 20 per cent improvement would provide the sersources to make up for at least one year's real growth.

EEC split likely on Falklands

BY OUR UNITED NATIONS CORRESPONDENT IN NEW YORK

THE United Nations General Assembly yesterday opened its debate nn the Falklands amid signs that Britain risked being even more isolated than originally expected.

Britain is already reconciled to a split in European Community support over a motion calling for renewed negotiations with Argentina. Before the debate it was known that France and Italy were no longer prepared tn back Britain's hardline stance.

Yesterday it emerged that Greece and Denmark were also virtually certain to follow suit, as well as the two prospective members, Portugal and Spain However, West Germany still appears reluctant to break with Britain on this issue.

According to the draft proposal offered by Algeria, Brazil Ghana, India, Mexico, Uruguay and Yugoslavia, the British and Argentine Governments would be asked by the General Assembly "to initiate negotiations with a view to find the means to resolve peacefully and definitely the problems pending between both countries, including all aspects on the future of the Falkland Islands (Malvinas), in eccordance with the Charter of the United Nations."

UN Secretary General, Mr Jevier Parez de Cuellar, would be mandated to renew his "mission of good offices in order to assist the parties in complying" with the request for negotiations. Britain rebuffed his earlier afforts and has repeatedly made plain lts refusal to discuss sovereignty over the islands with Argentina.

Unlike a resolution that was approved by the General Assembly last year—by 89 votes to nine with 54 members abstaining—the new text does not mention the word "sovereignty," but it is still unacceptable to the British delegation which considers that sovereignty is implicit in the phrase "all aspects on the future" of the Falklands.

The delegation led by Sir John Thomson, Britain's permanent representative to the UN, has proposed amendments to the draft resolution that would reaffirm the charter-given right of all peoples to eelf-determination and to determine freely their political status. The Falkland Islanders have resisted Argentine claims to sovereignty and Britain has repeatedly declared that it will be bound by their wishes.

The resolntion adopted by the UN last year was drafted by Argentina and co-sponsored by a number of other Latin American countries. In a tactical shift, the Argentines this time are relying on the non-Aligned Movement to carry the ball.

Argentina to receive $800m loan tranche

By Peter Montagnon, Euromarkets Correspondent

ARGENTINA WAS last night dne to receive a further $800m (£551m) instalment from the $4.2bn loan agreed with commercial bank creditors earlier this year as part of its rescheduling package.

About $300m of the latest payment is earmarked for back interest payments to bank creditors, bringing service nn the country's $48bn foreign debt np to date for the first time in more than two years.

Bankers said the latest payment will also allow Argentina to pay penalty interest which accrued earlier on unpaid interest payments so that the country could now boast a clean slate.

The successful implementation of both the rescheduling and Argentina's austerity package announced in the summer has focused attention on the country as a possible early beneficiary of loans under the so-called Baker plan for easing the debt crisis.

But Argentina is still working on its economic programme for next year and has not decided how much financing it will need or what form it will take.

The latest loan payment is the second under its 1985 package. Argentina drew a first tranche of $2.2bn in September.

Surinam lifts political ban

THE military - controlled government of Commander Desi Bouterse in Surinam has lifted a five-year ban on political parties and pledged a new constitution will be drawn up next year, our Foreign Staff reports.

The announcement was made on Monday during a rally in the capital, Paramaribo, to celebrate the country's tenth anniversary of independence from the Netherlands.

When Commander Bouterse, a former army sergeant, seized power in 1980 he suspended the constitution and banned political parties.

Tim Coone in Tegucigalpa reports on a successful election campaign

Hondurans reject confrontation

Supporters of Jose Azcona (left) the Liberal candidate, celebrate victory in the capital.

IN THE Honduran capital on Monday night groups of flag-waving party militants gathered on street corners shouting "Callejas," a leading candidate in the country's Presidential election.

Armed soldiers sipped Coca Cola and fingered their automatic rifles outside the building housing the Electoral Tribunal, charged with adjudicating the results. Nearby, a military communications vehicle broadcast incoming election results across the country. The atmosphere, unusual for the country, of a democratic election, was effervescent.

With only 20 per cent of the votes still to be counted, the result is clear: Sr Jose Azcona, the leading Liberal candidate, will be elected the next President of Honduras, but Sr Rafael Callejas, the leading National Party candidate, has amassed the largest individual vote, and will lead a powerful opposition group within the National Congress.

The elections have been an important experience for Honduras. No major fraud has been alleged, in spite of some irregularities, and voter participation has been widespread and eager. This promises to be the first time in Honduran history that a democratically elected Government, voted in under universal suffrage, will hand over power peacefully to another.

The election tribunal decided last Saturday to declare victory for the party which received the majority of the votes, rather than the individual candidete. Mr Callejas is being urged to challenge the result, close aides say, following his overwhelming personal victory at tha polls.

The Netional Party candidate personally obtained 41 per cent of the total vote, while his party obtained 45 per cent. The leeding candidate of the Liberal Party, Mr Azconas, gained 25 per cent of the vote and another Liberal, Mr Oscar Mejia Arellano, received 20 per cent. Two other Liberal candidates brought the combined Liberal vote to 51 per cent of the electorate, giving Mr Azcona the presidency and a majority, but e split, rebellious one, in the Netional Congress.

Mr Azcona faces a difficult task. He has to try to unify his splintered Liberal group in the Congress while facing a powerful National Party opposition. Projected results for the 132-member Congress indicate that be will have the support of 33 deputies, with 26 backing his Liberal rival, plus eight other Liberals from two other factions making a total of 67 seats. Mr Callejas has 5 6depnties behind him plus five others of tha National Party, for a total of 61 eeats.

The Callejas group is likely to be more cobesive than that of Mr Azcona, being newer to politics and more faithful to their young and dynamie leader. Only two of the top 60 deputies on the National Party slate bave been In Congress before.

Mr Azcona was a Minister in the Liberel Government of the present leader, Mr Fernando Suazo Cordova until 1983, when a series of acrimonious disputes over the President's attempts to centralise both party and government power within a small gronp of associates led to deep divisions within the party. This resulted in four Liberal candidates contesting the Presidency. It is a weakness that the National Party is preparing to exploit.

It is likely that Mr Azcona will have to bargain if he is to form an effective government without reverting to the authoritarian style of his predecessor. Faced with a divided party and a weak economy, he has the additional problem of not baving the same support in the armed forces as Mr Callejas, an essential power base

Mr Azcona has said that be might be prepared to form a government of national unity, inclnding in his Cabinet not only supporters of rival Liberal Party factions, but also people from Mr Callejas's National Party.

The two leaders are not far apart ideologically. Both are pro-American and look to the Reagan Administration for continuing military and economie support.

Both have campaigned on the promise of cleaning up the Government, improving its efficiency and putting an end to the corruption that has become an accepted part of Honduran political life, especially under present administration. Both politicians have ruffled feathers at the US embassy, havng announced they would be prepared to enter into bilateral negotiations with Nicaragua, to which the US is opposed.

The success of the election, achieved without major incident, has surprised and pleased most Hondurans, conscious of and sobered by their history of military intervention.

Only 18 months ago President Suazo Codova's government brought the country to the edge of a military dictatorship, and it took e "barracks coup" within the armed forces to oust their feared chief and prevent it from becoming fact.

Although the final result awaits tbe decision of the National Party to accept or challenge Mr Azcona's victory, it seems that the government which will finally emerge will be formed by compromise rather than confrontation.

Reagan summit performance boosts poll

PRESIDENT REAGAN'S approval rating among Americans after the Geneva summit is 11 points higher than a month ago, according to a nationwide poll, Renter reports from New York.

The poll, conducted by the National Broadcasting Co (NBC) and the Wall Street Journal after the US-Soviet Geneve summit, showed 67 per cent of respondents approved of Mr Reagan's performance. The October figure was 56 per cent.

Mr Reagan's approval rating for his handling of foreign affairs among registered Democrats jumped from 24 per cent in early October to 46 per cent on November 22-23, when the survey was taken.

"It seems clear," NBC said in a press release, "that these shirp increases in the president's overall and foreign policy ratings are related to the summit, because they do not show up in the way the public perceives his handling of the economy.

"Today, 50 ptr cent approve of the way he is handling the economy, en increase of only 5 per cent from early October."

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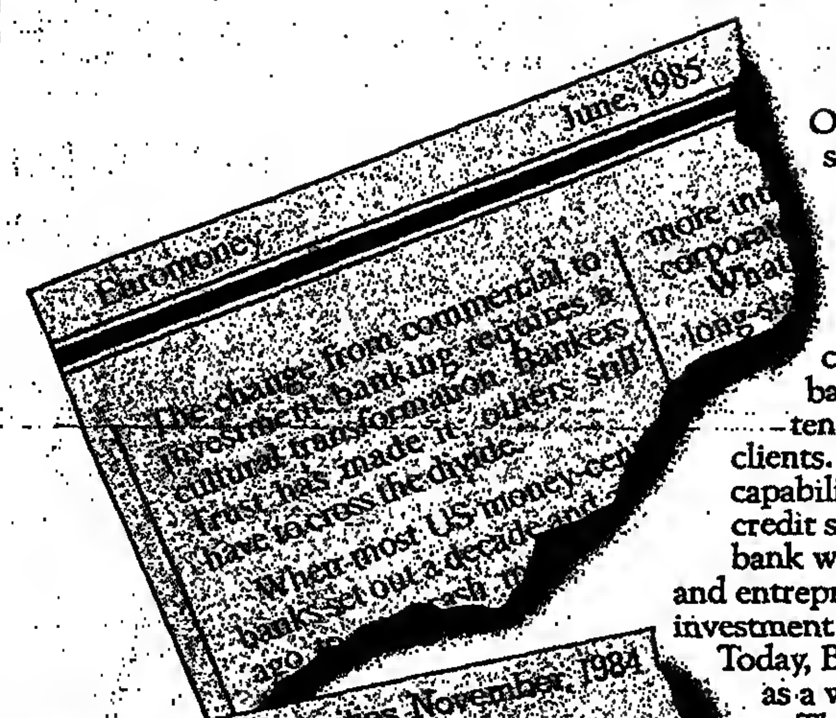

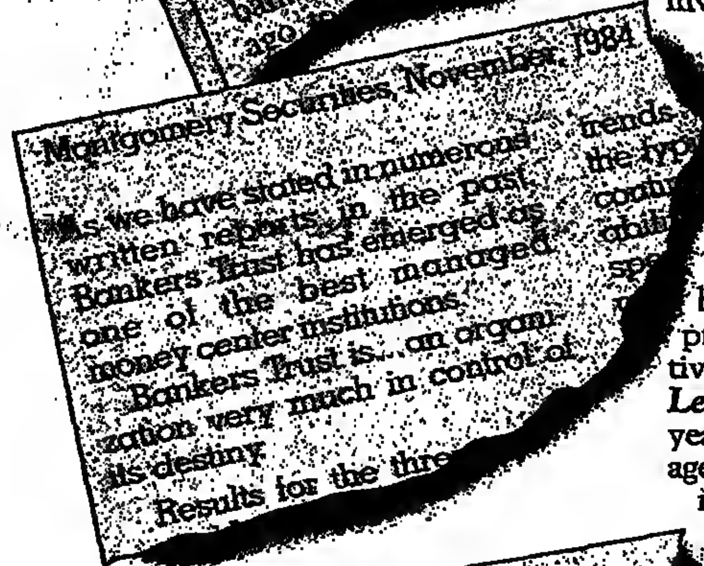

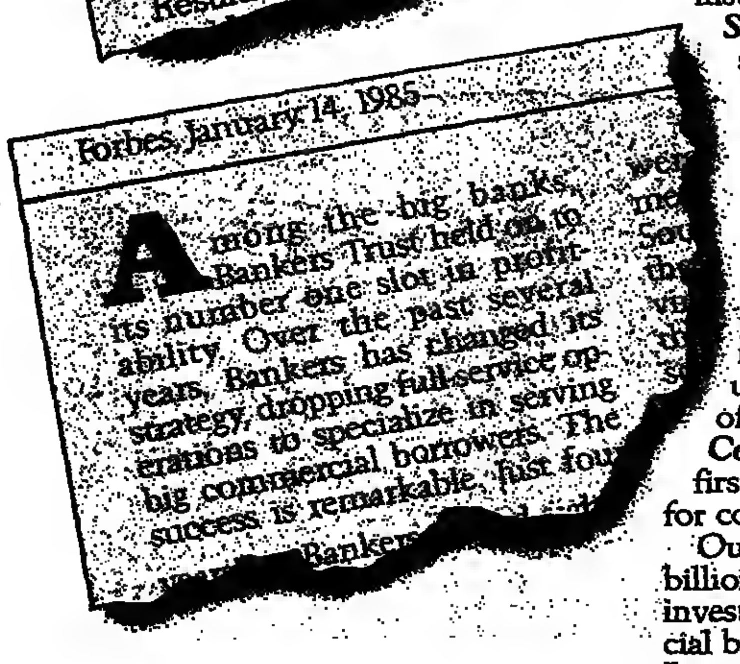

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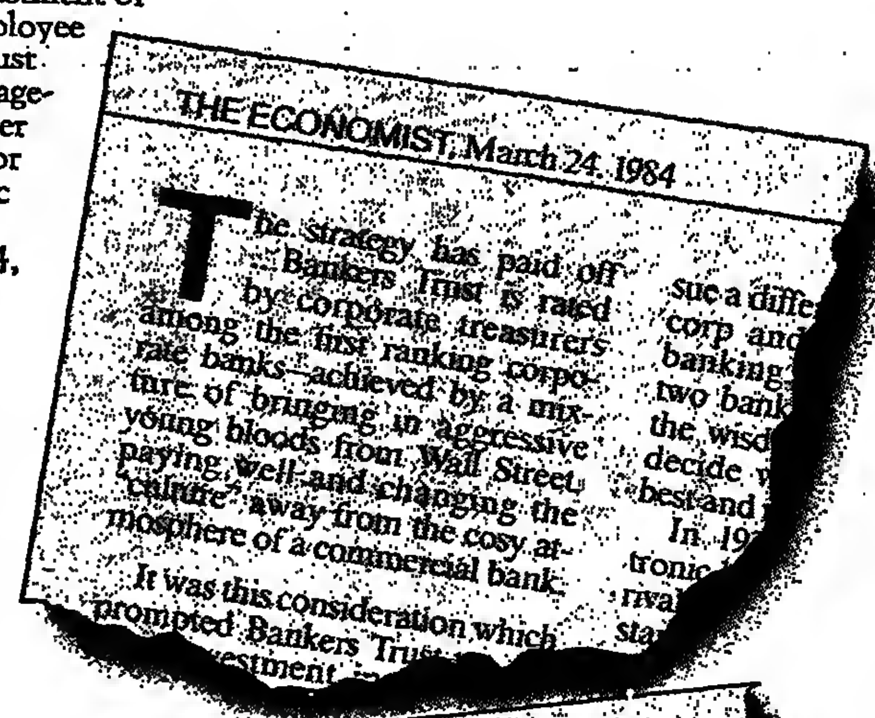

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Brazil and US remain divided on services

By William Dullforce in Geneva

THE US and Brazil yesterday squared up to each other over the contentious issue of whether trade in services is to be dealt with in new global trade negotiations. A tough exchange of positions between the two countries came as attempts by the European Community on the sidelines of the annual meeting of the General Agreement on Tariffs and Trade (Gatt) to reconcile differences appeared to be getting nowhere.

The Community has been working for a concensus among Gatt's 90 members on the establishment of a committee to prepare for the new round of trade talks.

Mr Mike Smith, the deputy US trade representative, told the second day of the annual meeting that services had become central to achieving Gatt's ecooomic objectives after their importance in world trade bad grown dramatically.

Legally there was no barrier to negotiating on services within the Gatt. Politically no country had anything to lose by negotiating on services. Institutionally Gatt's members had a responsibility to address new challenges like services, Mr Smith said.

Mr Ferreira Martins of Brazil said talks on services could not be included in the new round before the General Agreement bad been amended.

He also said negotiations on services would not be in his country's economic interests. They would not contribute to Brazil's development or growth bot presented a serious risk of increasing its dependence on more developed economies, be said.

● Mexico formally applied yesterday for membership of the Gatt and expressed the hope that its accession could be negotiated in time to allow it to participate in the new round of global trade talks scheduled to start next year.

Approval of applications is usually a lengthy process in Gatt but Mexico had gone as far as negotiating a protocol of accession in 1979 before its government changed its mind and declined to sign. It is possible that this protocol can be taken as a starting point for the working party which will examine Mexico's trade policies.

ITC bans Dutch group from exporting fibre to US

BY LAURA RAUN IN AMSTERDAM

AKZO, the Dutch chemicals and fibres gronp, has been forbidden to export its aramid fibre to the US for five years by the US International Trade Commission (ITC) on grounds of serious damage to Du Pont, a competitor.

The decision, which was not unexpected, could mean the loss of a potential 5-10 per cent market share in the US for Akzo's Twaron fibre, a super-strong fibre used in a variety of products, including bullet-proof vests.

Akzo said yesterday that commercial production of its Twaron fibre would still begin shortly, with deliveries beginning in the first quarter of next year. The ITC's decision on Monday followed preliminary internal advice last summer to impose the ban.

Akzo and Dn Pont, the American chemicals giant, have been battling over their aramid fibres for 10 years, with legal suits pending in at least five countries.

Du Pont filed the ITC complaint a year and a half ago, arguing that importation of Twaron unfairly would damage its competing Kevlar fibre because Akzo allegedly had infringed on a Dn Pont patent for the Aramid spinning process.

Akzo has also filed a court suit in the US alleging that Du Pont has infringed its patent for an aramid solvent.

Akzo said it would "spare no effort" in appealing the ITC decision to President Reagan who can rescind or amend it within 60 days. Barring that, Akzo will appeal to the US Federal Court, where a decision would be expected by mid-1987.

The import ban does not apply to products that incorporate the Twaron fibre, such as airplane parts or high-performance tyres. Twaron is being made by Aramide Maatschappij, a joint venture of Akzo's Enka fibre subsidiary and a government-owned venture capital company.

The potential worldwide market for Aramid fibres has been estimated at $3bn, with the US and Europe accounting for much of that. Akzo has said loss of the American market would delay Aramide Maatschappij's breakeven point until 1990 but would not drive the Dutch company out of the market.

Akzo has committed about Fl 1bn for the research, development and start-up of Twaron, an effort that is part of overall corporate strategy to shift its product mix toward higher value-added products.

Du Pont, which has manufactured its Kevlar for nearly 18 years, has invested about Fl 1.4bn in the fibre.

Akzo threw down the gauntlet after Du Pont's announcement on Monday that it would build a $65.7m Kevlar factory in Northern Ireland. The ITC decision plus Du Pont's new Kevlar factory "in Enka's home market may lead to an intensification of the conflicts in the field of Aramid," the Dutch company said.

"Enka will consolidate its position in Europe as soon as possible and make every effort to have the ban on importation into the US lifted."

Meanwhile, court battles continue in the UK, Netherlands, West Germany and France.

Nancy Dunne in Washington interviews the chairwoman of the ITC

Fierce free trader with a tough approach

INCREASINGLY and probably infuriatingly for the US Administration, Dr Paula Stern, chairwoman of the US International Trade Commission, is doing some plain speaking, outside the opinions she must render on bundreds of trade complaints each year.

After seven years on the independent, fact-finding commission, she has abandoned ITC tradition of not speaking out on policy qnestions, but she has not repudiated bi-partisanship. A Democrat, appointed to her post by the President only because it was a Democrat's turn for the job, Dr Stern displays an equal fervour in punctuating the political posturing of both parties.

It is all done very indirectly. Dr Stern never mentions that it is the Administration's macroeconomic policy which "has produced very distorted results." Nor does she say that it is Congress whicb has been squawking ebout "unfair trade" (a stance recently adopted by the Administration with a vengeance) wben she points out that unfair trade allegations touch less than 5 per cent of the imports brought into the country.

"The biggest problem in international commerce," she says, "is that there is not enough of it. And the biggest problem for the US as e trading nation is that we have priced ourselves out of the increasingly intense competition."

Meanwhile, the Commission she beads has been getting "a brutal working over" because of the lack of e coherent trade policy, she complains. Its caseloed has quadrupled since 1981, but budget constraints have kept its staff size down to a 10 per cent increase. Investigators work 10-hour days to keep up with the explosion in trade litigation.

'Until monetary and fiscal conditions change . . . we cannot talk or even trade the dollar down far enough, fast enough to restore order to our global accounts'

In accusations of unfair trade —dumping, subsidies, counterfeiting or patent infringement —it is the ITC's duty to determine wbether harm has been done to US industries. When industries ask for temporary relief from imports, it is the Commission's job to recommend to the President what sort of relief ought to be offered.

Under the present Administration, the Commission's recommendations have often been ignored. The President, for example, spurned the ITC's recommendation by a four to one majority for quota relief on non-rubber footwear, and wben o divided Commission gave him the choice of imposing quotas or increasing tariffs on copper, be turned down both.

In such cases, wben the research and decisions made by Commissioners are virtually thrown out of the window, Dr Stern does not necessarily blame the Administration.

The problem is, she says, that by law the ITC can offer the President only three options: quotas, tariffs or trade adjustment assistant for workers. Tariffs give little relief with the dollar as it is, and the Administration almost always opposes trade assistance. Only quotas, the most controversial remedy, remain.

Dr Stern would like to offer the President a wider range of choices based on an industry's competitive position and its readiness to adapt. Sometimes, she says, the best way to belp an industry is to ease environmentaly regulations or anti-trust laws or change tax rules.

The chairwoman's suggestions have not gone unnoticed—nor was the Administration's relnctance to grant import relief. Recent legislation introduced by some of the most prominent Senators in Congrss would limit Presidential discretion in cases where the ITC has aproved an industry labour adjustment plan.

In such cases, the President would have to grant relief ot least equivalent to that recommended by the Commission, unless Congress approves less relief or none at all.

The legislation is bound to stir intense Administration opposition but support for change is widespread. Adoption of the plan would give new importance to the ITC and to its outspoken chairwoman.

To regain American competitiveness, Dr Stern recommends enctioning qnota rights to importers. A recent ITC study showed that Japan earned $5bn extra as e result of the higher prices resulting from motor vehicle restraints. Funds earned from auctioning "could represent significant aeed money to plow back into honing our competitive edge," she theorises.

Dr Paula Stern

Although Dr Stern bas gained a reputation as a fierce free trader, she ettacks with even-handed energy protectionism and the failure to grant relief wben it is needed. An industry can become "leaner and leaner, but if lt gets too lean, it's going to die," she says. "I'm not one of your advocates of tha survival of the fittest—but I do believe in competition."

China lures $5.4bn foreign investment since 1979

CHINA has attracted $5.36bn (£3.6bn) in actual foreign investment from the start of its open-door policy in 1979 to end-September 1985, the New China Newa Agency said, Reuter reports from Peking.

It said China signed contracts in the period for foreign investment worth $14.7bn in 1,897 joint ventures, 3,408 co-operative firms and 109 foreign-owned companies.

More than $1bn of foreign money was actually invested in the first nine months of 1985, 62.6 per cent up on the year-earlier period.

The agency said Guandong province attracted $548m in foreign investment in the first 10 months of 1985, 45 per cent np on 1984, but did not say if the investment was planned or actual.

Paris acts cautiously on new Airbus range

BY DAVID MARSH IN PARIS

THE FRENCH government is taking a cautious line over financing the development of a proposed new range of European Airbus airliners, partly because of the sqneeze on budget spending.

M Jean Auroux, the French Transport Minister, said yesterday the Government had "no objections" over possible financing for the twin-engined short-to-medium range TA-9 and the long-range four-engined TA-11 which the Airbus consortium hopes to bring into service in the early 1990s.

But be stressed that there was no need for any "precipitation" to go forward with the project. A decision would be made only after a full examination of tha markets for the proposed aircraft, he said.

M Auroux said he had discussed possible Anglo-French backing for the new airliners at the summit meeting with British ministers in London last week. Further talks on the subject would take place soon.

French and West German ministers gave general support to the new Airbus projects at the Franco-German summit in Bonn a fortnight ago, although concrete details have not been decided.

M Auroux was speaking at the signing ceremony for an order for 10 narrow-body A-320 Airbus arlliners to be delivered to the French domestic airline, Air Inter, from 1988 onwards.

Airbus Industrie, owned by Aerospatiale of France, Messerschmitt Boelkow Blohm of West Germany, British Aerospace and Casa of Spain, is boping that definite decision on building the two new airliners can be taken in 1986-87. Development costs for the two aircraft are estimated at around $2bn.

Brazilian subsidiary of VW in truck talks

By John Davies in Frankfurt

VOLKSWAGEN, the West German motor vehicle concern, is hoping to sell its Brazilian-made trucks in the US in co-operation with Paccar, the US truck company.

VW Do Brasil, its majority owned subsidiary, has been holding talks with Paccar and the two companies are expected to sign a contract soon.

In eddition to passenger cars, VW Do Brasil produces medium and beavy-weight trucks ranging between six and 21 tonnes. After taking over works from Chrysler in 1979, VW steadily expanded the range of trucks produced in Brazil, aiming at both domestic and export markets.

VW so far has declined to give details of the possible arrangement with Paccar, which could result in e useful break-through into a lucrative though hard-fought market.

The truck operation in Brazil has been a beadache for VW in recent years because of its beevy losses.

As part of e rationalisation of its Brazilian operations last year, VW brougbt all its car and truck activities into a single compeny, 80 per cent owned by the West Germans, 10 per cent owned by Kuwait and 10 per cent by Monteiro Aranha, a local company.

Brazil is a key production area in VW's long-term world strategy, in view of its potential as an economical producer for export, and VW Do Brasil is letin America's biggest motor vehicle concern.

With the local economy improving, VW has stepped up its Brazilian car production and more workers have been hired

In oddition to a large export deal to ship cars to Iraq, the Brazilian works have also landed a contract to supply the Chinese with 1,000 trucks.

Last year VW prodnced 6,680 trucks in Brazil, an increase of a hefty 68.3 per cent, but this was still well down on production a few years ago.

● AEG has won a DM 35m contract to equip 70 electrical trams built by Commonwealth Engineering (Comeng) of Australia for anew tram network in suburban Hong Kong, Reuter reports from Frankfurt.

AEG will equip the trams with power units and Comeng has taken an option for 40 more. AEG has received contracts to equip a total of 370 trams from Australian companies.

Estimates suggest five-year delay to Nimrod radar development

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

GEC AVIONICS has told the government it cannot complete development work on the controversial Nimrod early warning aircraft in less than three years.

The company has also quoted a minimum of £250m for the fixed-price contract. That would bring the total cost of the 11 Nimrod aircraft to more than £1.2bn. It would mean that the aircraft would enter service with the Royal Air Force some five years late, and at a standard considerably below the original RAF requirement.

Mr Jack Pateman, managing director of GEC Avionics, which is responsible for finishing the complex radar and avionics system of the Nimrod, submitted his new estimates to Mr Peter Levene, chief of defence procurement on Monday.

There was no immediate comment from Mr Levene's office yesterday pending official study of the GEC proposals. However, the offer seems certain to be unacceptable to Mr Michael Heseltine, the Defence Secretary, who is expected to call in Lord Weinstock, GEC's chairman, for discussions on Nimrod and on a wide range of pending GEC defence contracts.

GEC, one of the MoD's largest contractors, has found itself in recent months facing tougher ministry policies on defence contracting.

The main production contract for the new Sting Ray torpedo has been held up for nearly a year, while there are also uncertainties on the contract covering the continued development of the heavyweight Spearfish torpedo.

On Nimrod itself, the company has agreed, under pressure from Mr Levene to a fixed-price contract for the completion of the development work for which it will, most unusually, not be paid until the avoionics system is working to the RAF's satisfaction. However, if the Government accepts GEC's estimates, it will face costs which are more than double its own estimates for finishing the development.

Earlier this year, Air Chief Marshal Sir John Rogers, who as controller, aircraft, is responsible for the programme in the MoD, told the House of Commons defence committee it would cost an additional £70m–£100m to bring Nimrod to what the RAF terms an initial operating capability.

If the RAF was to insist on its original specifications, officials believe additional costs of £300m–£400m might be involved. It is those figures, which appear to be threatening nearly to double the already inflated cost of Nimrod, that are said to be causing official questioning of the advisability of continuing with the Nimrod project.

Effort to speed up inquiries into Lloyd's

BY JOHN MOORE, CITY CORRESPONDENT

THE GOVERNMENT and the Fraud Investigation Group at the office of the Director of Public Prosecutions (DPP) intend to discuss today the progress of investigations into alleged irregularities in the Lloyd's London insurance market.

Sir Patrick Mayhew, the Solicitor General, is discussing the Lloyd's cases with the Fraud Investigation Group in an effort to speed up the investigations. The Fraud Investigation Group comprises police officers, members of the director's professional staff, accountants and specialist lawyers.

In parliament this week, Sir Patrick detailed a series of difficulties the authorities had encountered in investigating the events leading up to allegations that $55m had been misappropriated from Lloyd's interests of Alexander Howden, the insurance broker, and £40m from PCW, the underwriting agency that looked after the affairs of 1,525 members of Lloyd's.

The money was channelled to numerous offshore centres. Sir Patrick had been replying to questions in parliament by Mr Brian Sedgemore, the Labour MP.

Sir Patrick said that despite the very considerable financial and manpower resources spent on the cases, "serious delay has been imposed upon the progress of these investigations by the necessity of securing, in a form admissible in any criminal proceedings in England, evidence which hitherto has only been available from witnesses located within the jurisdiction of a foreign state."

He said there was insufficient evidence available "to justify certain criminal proceedings or an application for extradition of any person on certain grounds." No power exists, he said, whereby investigators in Britain may compel the production of the necessary evidence.

Investigators depend in such cases on the assistance of the authorities of overseas countries "who themselves, however much they wish to assist, are bound by their municipal rules." Those rules related to the granting of immunity from civil suits brought within their own jurisdiction, for example for breach of confidentiality.

"Nevertheless," Sir Patrick said, "in the present cases a way is vigorously being sought in overcome the problems I have mentioned connected with securing evidence within a foreign jurisdiction."

The Fraud Investigation Group was formed to examine the Howden and PCW affairs when they were referred to the office of the DPP in 1982. Since then, the group has been trying to locate over a million documents in connection with the investigations, which are scattered around the world.

Some of the records are understood to have been destroyed.

GOVERNMENT COMMITTED TO REDUCING TAXES

Lawson denies reflationary shift

MR NIGEL LAWSON, the Chancellor of the Exchequer, said yesterday that the scope and timing of possible tax cuts remained uncertain and denied that his recent autumn statement on the economy reflected a shift to a more reflationary fiscal policy.

In evidence to the House of Commons Treasury and Civil Service Committee Mr Lawson said the Government was committed to a gradual reduction of the tax burden. The extent and timing of such reductions, however, would depend on the scope available "consistent with prudence and caution."

The Chancellor, in acerbic mood during two hours of questioning by MPs, dismissed criticism of his decision to drop from the statement any indication of the amount of cash which might be available for tax cuts in the next budget.

The "fiscal adjustment" figure included in previous years was a forecast on which no decisions were based. "It was more trouble than it was worth," he said.

In the Medium-Term Financial Strategy published alongside this year's budget, the Chancellor envisaged possible tax cuts of £3.5bn in 1986.

Lower oil prices and a stronger pound, however, which cut the Government's revenues from the North Sea, have put a questionmark over that figure, particularly as the Treasury itself appears to be anticipating a further fall in oil prices.

The general view among City economists is that tax cuts of only £2bn to £2.5bn may be possible unless the Chancellor is planning to push up the public-sector borrowing requirement.

Mr Lawson went out of his way to dismiss suggestions that the rapid acceleration of the privatisation programme announced in the statement represented a loosening of fiscal policy. The statement, he said, carried "no implication for the stance of fiscal policy either next year or beyond."

The Chancellor declined, however, to give any indication of whether he would reduce public borrowing by an equivalent amount to offset the impact of the faster privatisation programme.

Asset sales, he said, were just one of a range of factors which would be taken into account when he decided the level of public borrowing.

Mr Lawson also disowned a recent study by two senior Treasury economists which suggested that over the medium term public borrowing might be increased to take account of falling oil revenues.

The study, published in the summer, represented "an interesting conceptual approach of no practical significance whatsoever."

Angry Maxwell aide quits Mirror group

BY JOHN LLOYD, INDUSTRIAL EDITOR

SIR TOM M CAFFREY, a director of Mirror Group Newspapers and special adviser to Mr Robert Maxwell, the MGN chairman, resigned from the group last night.

IT is understood that Sir Tom was angry and bitter over the lack of consultation between Mr Maxwell and other directors of MGN, particularly in the recent industrial dispute involving the print union SogaT 82.

A settlement of the dispute, which kept most copies of the Mirror off the streets on Monday morning, was achieved on Tuesday night – but Mr Maxwell's demand that 2,000 of the Mirror's 6,000 jobs must go remains to be negotiated by the unions.

Sir Tom is also said to have had deep disagreements with the MGN chairman over politics – although not to the extent of disagreeing over which party the group newspapers should support. Mr Maxwell has said that Mirror papers will support the Labour Party at least until the next election.

Sources within the group say that Sir Tom felt he had been hired by Mr Maxwell as a bridge between the group and the Labour Party, and now he was no longer required, his advice was ignored.

At the same time, Mr Joe Haines, who is the Mirror Group's political editor, is now on the Mirror board and has taken an increasingly powerful role. He wrote an editorial in the Mirror yesterday speaking of the Fleet Street "gravy train hitting the buffers" (although the editorial was signed by Mr Maxwell) and he was involved in negotiations with Sogat 82.

Sir Tom, whose title was director of public affairs, would not comment last night on the reasons for his resignation. He said: "I have enjoyed my period at the Mirror Group and now I shall be looking for a new job."

He was a long-serving government press officer who became chief press secretary to Mr James Callaghan when Prime Minister in 1976–79, then he served as his chief of staff in opposition until Mr Callaghan stepped down as Labour leader in 1980.

He played the same role for Mr Michael Foot when he was Labour Party leader, leaving for the British Printing and Communications Corporation – the MGN parent group – after the general election in 1983.

● Sir Leo Pliatzky, formerly a senior civil servant at the Treasury, is to step down as a non-executive director of British Airways after five years on the BA board. Mr Nicholas Ridley, Transport Secretary, said he had accepted with regret Sir Leo's decision to resign.

First loss posted by Apricot at £4.6m

BY JASON CRISP

APRICOT Computers, the leading British supplier of personal computers for business, made its first loss in the six months ending September 30.

The once high-flying group made a £4.6m pre-tax loss, on sales which rose 34 per cent to £48m, after substantial stock write downs and problems in West Germany and France.

The company confirmed yesterday that it was making about 120 people redundant and was closing its West German distribution subsidiary.

It is also dropping two models at the bottom of its range as part of a move to improve margins.

Apricot is to make its products compatible with IBM's personal computers next year. This marks a significant change in policy and acknowledges the domination of IBM and IBM compatible personal computers in most of the world.

The biggest single problem, predicted by the company in September, was the failure of its portable computer which has resulted in a stock write down of £5.1m. The dropping of the two other products meant a further write down of £775,000. Redundancy costs amount to a further £500,000.

Apricot's attempt to reduce its dependence on the UK market with a big effort in West Germany and France resulted in losses of £1.5m. The closure of its German distribution company will also cost £1m.

The company also made losses of nearly £850,000 in its retailing joint venture with Tandy, AT Computerworld. It has 33 stores in the UK dedicated to selling the two companies' products and accounts for nearly 15 per cent of Apricot's output of personal computers.

Apricot's shares have tumbled this year from a peak of 280p to a low of 48p since it became clear in the early autumn that it could not sustain its meteoric growth.

Squeeze on Apricot, Page 12

Hambros to take stake in property agency

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

HAMBROS is stepping up its exposure to property and to the retail financial services market with an agreed bid for Bairstow Eves, the quoted residential estate agency. The deal values the 137-branch agency network at nearly £77m.

The UK merchant bank has been searching for new business opportunities since May 1984, when it sold its remaining stake in Hambro Life for £123m. Last February, it paid £6.4m for a majority stake in Sida Holdings, a private property investment company, and this month acquired a 75 per cent stake in Cunningham Hart, the loss adjusters. Hambros also owns 29.9 per cent of Strauss Turnbull, the stockbrokers.

Hambros will purchase up to 80 per cent of the issued equity in Bairstow Eves, the first UK estate agency to obtain a stock exchange listing. A minimum 20 per cent of the share capital will remain with existing directors and employers, although Mr John Bairstow, the chairman, who is also chairman of Queens Moat Houses, the hotel group, is retiring.

Hambros is offering five limited voting shares plus £4.30 cash for every nine ordinary shares in the agency business, valuing Bairstow Eves' shares at 151.6p each, against Monday's suspension price of 153p. Shareholders wanting all-cash can take an alternative offer being made by Sterling Guarantee Trust, the P & O property subsidiary.

Acting in a new role as underwriter, for which it will receive options on 3m voting shares, SGT is offering an equivalent 145p cash, committing it to a maximum cash payout of £36m.

Leadership of TUC offers cash for ballot

By Philip Bassett, Labour Correspondent

LEADERS of the Trades Union Congress (TUC) have offered to meet the balloting costs of Ucatt, the construction workers' union, rather than to see it defy TUC policy by applying to the Government for money to fund its internal voting.

Leaders of the Union of Construction, Allied Trades and Technicians said yesterday that they would attempt to raise the issue at today's meeting of the TUC general council. That would be to try to move the TUC more quickly towards altering its policy of blanket opposition to the Government's labour legislation.

Disclosure of the offer of money to dissuade Ucatt from applying for money is likely to be seized upon by those unions opposed to the TUC's stance, who may see it as a sign of desperation in some union circles on the issue.

The AUEW engineering workers and EETPU electricians are facing the prospect of disciplinary action, including suspension, if, as expected, membership ballots by the unions support defiance of TUC policy. Mr Gerry Russell, senior AUEW executive member, said yesterday the TUC was "getting itself into a ridiculous position."

Ucatt made clear at the TUC's annual congress in September that it intended to follow the AUEW and EETPU in applying for government funds to cover the £100,000 cost of an election – required under the Government's 1984 Trade Union Act – for a union executive seat. Voting in the electin started this week.

Mr Les Wood, outgoing Ucatt general secretary, said yesterday that the offer had been made to the union at the same time. "An undertaking was given that should any union find itself in financial difficulty as a consequence of the law, then, rather than accept the money, they should put a formal request to the TUC for help, which would be properly considered in a brotherly way."

The TUC acknowledged yesterday that the possibility in Ucatt's case of some financial assistance had been raised.

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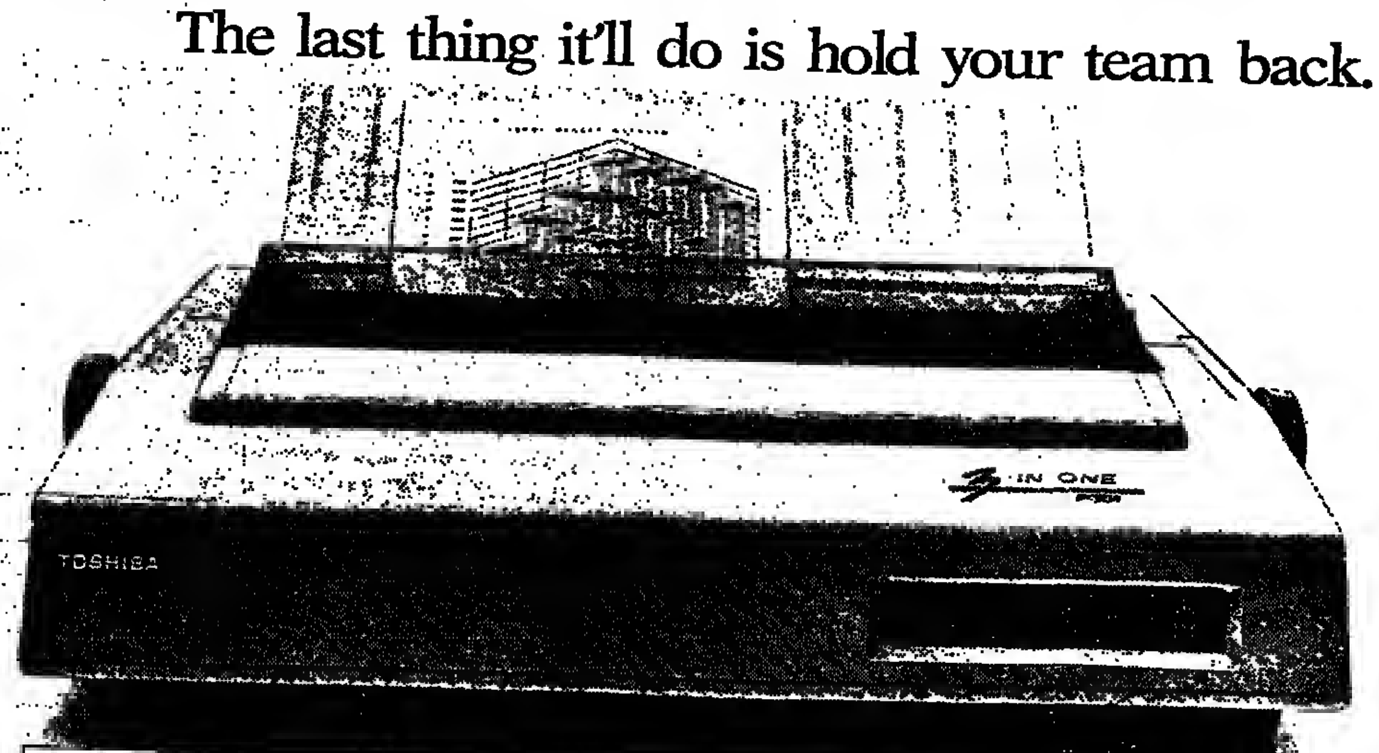

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The squeeze that caused Apricot to change direction

BY JASON CRISP

APRICOT Computers has had to take drastic action. Once one of Britain's fastest growing and most successful companies, Apricot announced yesterday a pre-tax loss of £4.6m for the first half, the closing of its West German subsidiary and over 120 redundancies.

As a result of its difficulties, Apricot – the second largest supplier of business personal computers in Britain – has had to make a number of changes.

- A rapid move towards IBM compatibility which Apricot hopes to achieve in the second half of next year. IBM and so-called IBM clones made by companies like Olivetti and Compaq are increasingly dominating the personal computer market. As a result, all the software companies produce their programs to run on IBM PCs first.
- A target of a static or small growth in turnover next year with a priority on improving profits. This is a substantial change because, until recently, the company nearly doubled turnover every year.
- A cut in its product range by half. Apricot was selling about 14 different versions of its personal computer. This is being reduced to seven.
- Part of this reduction is its withdrawal from the low end of the market. Dealers will be told this week that Apricot will no longer sell the basic F1 and F1e computers, which cost below £1,000.
- A reduction of ambitions for overseas markets. Losses in West Germany and France and a disappointing performance of Apricot Inc in the US has led the company to revise its expectations.

These changes have only partially reassured City of London analysts who suspect Apricot is putting its house in order in the hope of a friendly takeover or merger. There have been several rumours of companies showing an interest.

The result of these changes is that Apricot is in danger of becoming the very company its managers wanted to avoid – a largely British-based IBM clone – without the benefits of the economies of scale enjoyed by international rivals such as Olivetti, Compaq and a number of Japanese companies.

Apricot – which used to be called Applied Computer Techniques – is unlike Acorn and Sinclair Research, the once high-flying British home companies which found themselves in difficulties earlier this year. Apart from being firmly in the business market, Apricot was always recognised as a professionally managed company with a conservative attitude to finance and financial controls.

Apricot, which was founded in 1965 as a computer bureau, diversified into computer stationery and then into distribution with the UK rights to one of the first powerful 16-bit micros to be produced into the US.

The company, worried about the future of Victor Technology, its US supplier, and not wanting to be limited to the UK, developed its own personal computer and started manufacturing in Scotland.

Apricot has been successful until recently initially with Victor's Sirius computer and then with its own Apricot range. For some time, Apricot had an equal market share in the UK with IBM, which dominates the world's personal computer markets.

This year Apricot's position in the UK has slipped a long way behind IBM, although it still has a healthy 20 per cent market share. Apricot's great strength has been in selling to small business, while IBM has had greater success with large corporate accounts.

Apricot's apparently sudden problems started last summer. The main reason was a sharp slowing in the European markets, which instead of doubling in size every year fell to a growth of about 30 per cent. On top of that, Apricot has faced a squeeze of its share from both IBM and its other rivals.

Apricot has also had a number of other problems, which are more to do with its failure to break into new markets, particularly West Germany and France, rather than the slower growth. Losses in those two countries amounted to £1.5m.

In January it bought Beaugrand, a well-established distributor in West Germany which operates from Frankfurt. Within months it closed that operation and this week Apricot shut its own distributor, based in Munich, at a cost of £1m. It has now awarded sole West German rights to Sitcom.

An ambitious joint venture with Tandy, the US electrical retailer, to produce European chain stores selling the two companies' products was cut back sharply, but even so has caused unexpected losses of about £850,000.

The launch of portable computers also proved to be a disaster and accounts for about £5m of its £5.8m stock writedown announced yesterday. The remaining £800,000 writedown is on the F1 computers.

The company venture into the US has also had poor results. It owns only 19 per cent of Apricot Inc which was set up with $20m, mainly from outside investors. Its move into the US was always recognised as being difficult and coincided with a sharp downturn in the market. Ambitions to sell large volumes were quickly abandoned.

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UK NEWS

Focus of industrial relations 'shifting'

By John Lloyd, Industrial Editor

BRITISH INDUSTRIAL relations are now "following a new course from which they are unlikely to be diverted," according to Sir Adrian Cadbury, chairman of Cadbury Schweppes.

Sir Adrian, giving the Hitachi lecture to the Institute of Manpower Studies last night, said industrial relations had changed fundamentally in being focused now on the site or business unit, rather than the company. British companies had reacted to recession, and to much stiffer foreign competition, by cutting staff, reducing centralised services and controlling fewer activities from the centre.

Employment law changes had increased the power and range of choice of the individual against that of the union, he said. "Managers have also acquired a greater degree of influence over the units for which they are responsible, since they are dealing more directly with those who work for them."

Multi-union structures in plants prevented the growth of a "working community" ethos to the benefit of the plant. Single-union agreements now encouraged such an ethos by treating the workforce as a whole, and were thus "in line with the management structure which has emerged from the competitive pressures of the marketplace."

Economic pressures and technology had altered working lives and those changes would not be reversed. "They are reinforced by a third force, the determination of individuals to exercise more control over their own lives. The shift in the focus of power is from institutions to the units within them and from collective organisation to individuals, rather than from shop floor to management," he said.

"The move to a unit-based organisation means that those who work in such units have close links and can identify directly with the aim of the enterprise; above all it offers them the prospect of more control over their working lives, which is why it will prevail.

"In this new pattern of working may lie the best hope of reversing this country's relative, but relentless, economic decline and of meeting the aspirations of individuals, whether as employers or consumers."

Gas price dilemma for Government in privatisation plans

BY MAX WILKINSON, RESOURCES EDITOR

AN EMBARRASSING complication in the Government's plans to privatise British Gas next year is that gas prices are likely to rise quite steeply in the next few years.

This is in marked contrast with the position for British Telecom, where increased use of computers can be expected to yield large productivity gains far into the future.

Efficiency gains for British Gas are likely to be limited. Although there is certainly room for improvement it has far less overmanning than the National Coal Board or British Rail.

The main influence on costs will be the price of North Sea gas. In 1984–85, the average was 16.3 per therm, about equal to all other operating costs including depreciation charges. Wage and salary costs amounted to only 6.6 per therm or 19 per cent of all costs.

The average cost of North Sea gas is still well below the marginal cost which British Gas is having to pay in contracts from new fields. This is probably about 28p per therm.

British Gas still has the benefit of large supplies of cheap gas from the southern basin of the North Sea where prices have been 5p per therm or below. As these cheap supplies run out, the average cost of gas will inevitably rise towards the marginal cost by the early part of the next decade.

In the longer term, all gas prices are likely to rise as exploration moves into deeper water and more remote fields.

This puts the Government in a dilemma. To obtain the highest price for British Gas, it should advertise that prices will be allowed to rise steeply in the next few years to anticipate these longer-term trends.

This would be fully justified by economic arguments, for under a free competitive market, prices would tend to rise to equal marginal costs in this case closely related to North Sea gas prices. Despite some relative increase in gas prices, they are still probably some 15 to 20 per cent below this "economic level."

British Gas, however, has tended to keep prices down. This helps the corporation's image and allows it to maintain its market share against electricity.

The objection to this policy is that it may give the wrong pricing signal to customers: they may buy capital equipment to take advantage of cheap gas today, then find they are locked into relatively expensive gas in a few years' time.

The Treasury has used this argument to try to push up gas prices. But political pressures, including those from British Gas, have held down the last two tariff rises to about the rate of inflation.

When the corporation is privatised, however, it will have a new duty to shareholders and an obligation to maximise profits. This should, in theory, increase its incentive to raise prices in real terms, although it is by no means clear that a management steeped in the ethos of public service will want to do this.

There is therefore a good argument for allowing the regulators of British Gas wide latitude to sanction price rises to bring the average price more into line with marginal costs.

On the other hand, one of the claimed benefits for privatisation is that it will make nationalised monopolies more efficient. The public will find this hard to square with steep price rises.

The outcome is likely to be a compromise in which the corporation is allowed to pass on increases in its average gas cost. As that cost moves more closely in line with the higher marginal cost of gas from new fields, the economic imbalance will diminish.

This has an important implication for the Government's ambition to make it easier for any North Sea producer to use British Gas's pipelines if it wants to supply directly to a large industrial customer. Under proposals being discussed in Whitehall, British Gas would be obliged to top up this supply at times of peak demand and to buy in any surplus.

An unresolved issue is how prices should be set in such a case.

The other decision for the Government is whether to free the market for natural gas in the North Sea. At present, tight import and export restrictions give British Gas almost complete power to accept or reject gas supply offered by an operator and to set its own price, within limits.

This gives the corporation a large measure of control over North Sea depletion policy, which many argue would be inappropriate for a private company.

Ex-Laker employees to seek reparation

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS and other transatlantic airlines could face yet another hurdle before the effects of the Laker Airways collapse in early 1982 are finally settled. It is an action in the US for compensation from the Laker Airways employees.

Efforts to seek some compensation have been initiated by several former pilots of the airline, who have discussed the situation with Mr Robert Beckman, the US lawyer who represented Sir Freddie Laker in the long and complex process of settling both the Laker liquidator's own claim for compensation and the US anti-trust suits against the airlines.

The pilots, representing an organisation called the Association of Laker Employees (Ale), feel that everyone except the employees has got something out of the settlements, [illegible] who claimed compensation [illegible] of cheap Atlantic fares after the collapse.

The airlines got out of the US anti-trust suits. Sir Freddie Laker himself got \$8m, the Laker liquidator got \$48m, and Mr Beckman and other US lawyers also received substantial sums.

Recently, also British Airways said that together with Pan American and Trans World Airlines, it was setting up a \$30m coupon fund to reimburse passengers who had started class actions in the US against the airlines, alleging loss of cheap Atlantic air travel following the Laker collapse. The pilots argue that so far the employees have had little or nothing.

James McDonald writes: Virgin Holidays, a new package tour operation established within Mr Richard Branson's pop and travel group, is offering introductory holidays to Florida and to New York.

With the provision of a licence to fly to Florida from the UK, Virgin will operate two Boeing 747 airliners on the route. Virgin Holidays expects to carry about 12,000 to the US next year, the majority to Florida.

Mr Malcom James, chief executive of Virgin Holidays, said in London yesterday: "Florida represents enormous value for money – much better than any other US state."

HOW MOTOROLA ENGINEERS SOLVED AN OLD MARKETING PROBLEM WITH A NEW TECHNOLOGY.

The problem has been around for years.

Every country in Europe has its own, special technical requirements for two-way mobile radio communications. As a result, electronics manufacturers have been hard-pressed to find a way to bring the advantages of volume production to this category of products.

The solution has been very elusive.

What was needed was a way to build two-way radios customised for each unique country market within Europe, but to do it on a high-volume, assembly line basis.

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But Motorola engineers have indeed built such a capability within the EEC.

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The Motorola MC micro meets the UK specifications issued by the D.T.I. including those for the new VHF Band III.

Nearly all components of the complex electronic circuit boards for these radios are fed into production on a continuous stream of tape. Automated machines install thousands of these miniature devices per hour, in all the versions required by all our differing customers throughout Europe, and with pinpoint accuracy.

This system not only produces market-matched radios on a mass-production basis, but the units it builds are of excellent quality and the savings on fabrication costs are substantial.

This facility and the MC micro two-way radio are a synthesis of many new Motorola technologies in communications and manufacturing. This is just one example of what our company has been doing to serve customers in Europe.

In the UK, the Motorola facilities in East Kilbride, Basingstoke and Stotfold are important contributors to the advancement of the growing electronics industry. In addition to these production facilities, we also maintain 15 offices to serve our British customers.

Worldwide, Motorola is a £4.7 billion electronics company doing business on five continents. We number 100 thousand people, and we share a deep dedication to the service of our customers in voice and data communications, computers, semiconductors and components for defence, aerospace, automotive and industrial electronics.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Elf Aquitaine

A strategy for when the gas runs out

David Marsh on the French oil group's development capital role

FOR 15m trout growing up in a complex of electronically controlled breeding ponds in south-west France, FFr 5m (£440,000) worth of funding from Elf Aquitaine is a matter of life and death.

The cash put up in low-cost loans from the French state-controlled oil and chemicals group has helped the FFr 70m (£6.1m) turnover Salmona company grow into France's biggest fish breeder.

Wib 3,000 tonnes of trout planned to be produced this year, Salmona, set up in 1975 in the Landes region between Bordeaux and Biarritz, accounts for ebout 10 per cent of all the trout eaten in France.

In the company's highly-automated and surprisingly unsmelly processing plant, the fish are slaughtered using 90 volt electric shocks and carbon dioxide. Salmona products are delivered by refrigerated lorry deliveries using autoroutes and account for one-fifth of the trout consumed in Paris. Now the company is making a big effort to expand its production of large trout, with a flavour rivalling that of salmon, and to compete head-on with large-scale smoked salmon imports into France from Norway.

Salmona is one of roughly 600 companies, mostly from the Aquitaine region of south-west France, which have benefited from Elf Aquitaine financing over the past decade in a marriage between oil money and regional small and medium-sized businesses.

Elf's loans, carrying interest rates about four percentage points below market rates, have directly created or kept in place a total of 13,500 jobs, with another 4,000 planned to be created over the next three years under funding programmes already in place.

With total commitments of FFr 740m (£65m) and a funding budget of FFr 100m to FFr 110m this year, due to rise to FFr 125m in 1986, Elf's industrial development subsidiary Sofrea, set up in 1978, has the financial muscle of a regional bank. Its overriding aim, however, is not to reap financial returns but to try to build up an infrastructure of high-performing small businesses in the south-west to prepare for the day when Elf's Lacq natural gas fields in the Landes run out.

The Lacq deposits, discovered in 1951 and put into service from 1956, have been a major source of prosperity for Elf. With net group earnings of FFr 6.5bn last year, it is easily France's most profitable company.

Production will gradually be run down between now and the end of the century. This puts et risk 2,000 jobs on the site as well as those of perhaps 50,000 other people who rely, directly and indirectly, on business and employment with Elf throughout the region where the company also has important petrochemical and pharmaceutical activities.

"We know that around 1990-1995, a whole industrial complex will be on the way out," says Paul Dumontier, assistant director of regional development at Elf end vice-chairman of Sofrea. "We have been preoccupied about this since 1972. We have attracted e lot of families to the region and created many jobs. If we cannot offer direct replacement work for the parents, we have to be capable of coming up with jobs for their children."

Image

Elf's interest in the industrial structure of Aquitaine is not simply altruistic, he points out. No large company in France can make lay-offs unless it takes action "to reduce the inconvenience," Dumontier says. Elf has its own interest "in avoiding social conflicts" and in generally looking after its image as a responsible employer.

That necessity is becoming more acute for Elf and other big private and public sector companies — many of which have now also set up their own development subsidiaries — in other parts of France hit by unemployment.

Elf has been forced increasingly to focus its job creation efforts outside its main target area of the south-west because it needs to make efforts in other parts of the country where it is closing down capacity.

These include, above all, areas where Elf is reducing refinery activities because of overcapacity in the industry—at Valenciennes in the north, Donges in the west and Feyzin near Lyons in the south-east. Putting money into businesses around Feyzin accounts for 25 per cent of Elf's budget this year with 60 per cent in the south-west and 15 per cent elsewhere. Next year however the south-west will make up only one-third of the budget with the rest devoted to unemployment blackspots elsewhere, including places where Elf is slimming jobs in its Atochem petrochemicals operations.

Sofrea acknowledges that one factor diluting its concentration on the south-west — where unemployment is relatively low compared with depressed regions like the north and the steel region of Lorraine — is pressure from politicians to intervene elsewhere ahead of the March 1986 general elections.

Patrick Batut, the Sofrea secretary general who runs the organisation's 13-person regional headquarters at Pau near the Pyrenees, says wryly that Sofrea's main problem cases in the past have often sprung from companies in which it was pushed to invest by political pressures. Dumontier edmits that, for about 10 to 15 per cent of loan dossiers that Sofree takes on, "we will never see our money back."

Dumontier maintains that the relatively low failure rate is explained by Elf's thorough preparatory examination — including a full audit — of individual loan dossiers. Also, "we are only interested in companies in good health," he says, edding that normally it lends only to companies which have already had a solid balance sheet over three years. However, he admits the failure rate may rise by a few percentage points ebove 10 to 15 per cent in the future now that Elf is spreading its activities progressively into less prosperous regions than the south-west.

Other prosperous companies in the region in which Elf has invested include Lectra Systèmes, a Bordeaux-based company which has won a worldwide reputation in using lasers in the textile industry; Michand, France's biggest honey merchandiser which trades under the Lune de Miel marque; and Satim-CMI, which makes plastic tennis racquets.

An indication that Sofrea has built up to cruising speed is that half its annual budget is financed from repayments of previous loans. Several companies — led by Lectra, which has been funded several times by Sofrea — have come back to Elf for further tranches of loans to back expansion plans.

Partly through a network of contacts with banks and chambers of commerce, Sofrea has now no difficulty in finding funding opportunities.

Batut says Sofrea normally meets about 70 per cent of loan requests. It often supplies only about 10 or 20 per cent of total financing for business projects but plays a "multiplying role" by eliciting support from banks, government development agencies and venture capital concerns. Sofrea also makes available technical assistance for small companies from Elf's laboratories and research centres.

Sofrea only very rarely takes direct stakes in companies. This is because Elf wants to avoid direct shareholder responsibities in cases where the business gets into trouble. Additionally, says Batut, a mass of Elf participation could lead to an even greater hold of the company over the economy of the region. "This is exactly the opposite of what we are trying to achieve," says Dumontier.

Packing salmon at Salmona's Elf funded fish farm

Aeronautical connections

AQUITAINE will next year boast France's only plant making large titanium castings for aero-engines and aircraft frames, thanks in part to FFr 10m (£880,000) in financing from Sofrea.

Precision Castparts Corporation, the US company which is a world leader in making specialised casting for commercial and military aircraft, chose south west France for its first factory in continental Europe mainly because of the concentration of France's aeronautics industry in Toulouse.

Last year PCC took over the titanium activities of a local foundry company, Messier d'Arudy, near the Pyrenees. It chose the village of Ogeu, 25 kilometres from Pau, for the site of its new factory, mainly because Edward Cootey, chairman and founder of the Portland-based company, found the surrounding countryside reminded him of his native Oregon.

Sofrea's contribution to financing the plant—where building work has been under way since September and which is due to start service next April—includes a FFr 250,000 capital stake in PCC's French subsidiary. Because of the strategic nature of work PCC will be doing for French companies, particularly the state-controlled aero-engine group Snecma, the Ministry of Defence insisted that French institutions should have a token 5 per cent stake in the capital of PCC France.

Regional and state authorities are making great efforts to attract foreign investment into France these days and the bulk of the FFr 59m (£5.2m) investment needed to build and equip the Ogeu plant will be met by subsidised loans. PCC will also be putting in around FFr 40m in working capital to tide the plant over until it starts making profits, in which, it is reckoned, will be in 1989. The factory will make castings for engines for the Mirage 2000 fighter jet and the narrow body A-320 Airbus and aims to build up to employment of 200 in three years' time, sixty people are already employed by PCC at Arudy. It will also provide parts for the new Franco-German military helicopter and for missiles built by Aerospatiale.

The PCC investment follows Sofrea's FFr 60m contribution to the financing packages for audio and video cassette plants built by Sony of Japan at Bayonne and Dax, which have also benefited from substantial low cost loans.

Daniel Girardot, director of the PCC factory, says Sofrea played a vital role in co-ordinating — over two and a half years — participations from regional development bodies in the Ogeu project. Bernard Poissonnier, the commercial director, adds that the setting up in Aquitaine of a titanium castings source—adding to PCC's existing factory in Sheffield—will reduce the European aircraft industry's dependence on US imports. "Now that there will be a reliable source within Europe, it should have a big impact on the industry."

Rigours of fish farming

TIGHT CONTROL of stocks, computerised feeding methods and attention to marketing are the key to 10 years of growth at the Salmona trout company. With five breeding complexes such as the one at Mezos south of Bordeaux, Salmona and its associated company, Salmonides, employ 125 people.

Set up in 1975 by Raymond Tachon, a former agricultural dealer, the company prides itself on rigorous vetting of its fish population which teems in oxygenated pools; it can take 2½ years for fish to grow into the 3 kilo heavy weights which will be destined for the smoked market.

Out of this year's planned production of 3,000 tonnes of fish, 2,000 tonnes will be sold fresh, with 700 tonnes frozen and the rest smoked. French fish are primarily for the Paris market where the company takes orders up until 11 o'clock in the morning for next day delivery.

Since 1980, Salmona has made a major effort to breed larger trout suitable for smoking to avoid the effects of a possible price slump for the standard 220 gram variety of fish caused by alleged "dumping" by foreign producers.

Jean-Pierre Bequery, the enthusiastic gum-booted managing director, points out the adaptability of trout to production - line techniques. The fish readily slip in and out of counting and weighing machinery on their way to collective slaughter - boxes. "You couldn't handle chickens this way," he says.

Bequery admits that life of a fish farmer is not a relaxed one. "You are living on a volcano; you never sleep very well," he says, pointing out the ever present dangers of pollution, failure in the oxygenating units or mystery illnesses.

The company's finances have been hit by the need to make massive vaccinations of up to 8m fish at a time over the last few years against the dreaded "red mouth" disease spread by contaminated US fish eggs. But Salmona is hoping to be firmly in the black this year on turnover of FFr 70m to FFr 80m (£6.1m to £7m), up from FFr 50m in 1984.

Management abstracts

Free-floating chairs. H. Buttery in Designers' Journal (UK), May 85 (5 pages)

The latest attempt to develop the most ergonomically-sound office chair has led to chairs with free-floating backrests ("intended to move with and support the sitter when upright or reclining"). Presents various models and offers informed comments from an architect, an ergonomist, a VDU operator, and designer, whose opinions differ.

Word-of-mouth effects of marketing effort. B. L. Bayus in Journal of Advertising Research (US), June/July 85 (9 pages)

Suggests that word of mouth (advice/recommendation from family, friends and colleagues) is an important element in purchase decisions, particularly for durable goods, and stresses that it can have strong negative as well as positive effects. Surveys research literature on the subject of personal influences in purchasing situations; describes an empirical study in the field of military recruitment, which finds that word-of-mouth can be stimulated by marketing effort, and examines its implications for marketing strategy.

Office fitting-out costs. R. Smith + others in Designers' Journal (UK). May 85 (4 pages)

A tabulation of the costs of the refurbishment of offices to three different standards: basic (with most existing furniture/fittings being retained) to top-grade (with upgraded services, custom-made furniture). Helpful checklist of costs.

Niche Products. S. Braidwood in Design (UK). Aug 85 (7 pages)

Argues that national differences in product perception, coupled with cultural sensitivity, will restrict the spread of global products; examines the market for niche products —those with limited appeal which are not intended to be universally liked—that combine short-run production with target marketing. Looks at the contributions market research can make in defining consumer preferences and behaviour as a basis fo rniche product design.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £4 each (including VAT and p and p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

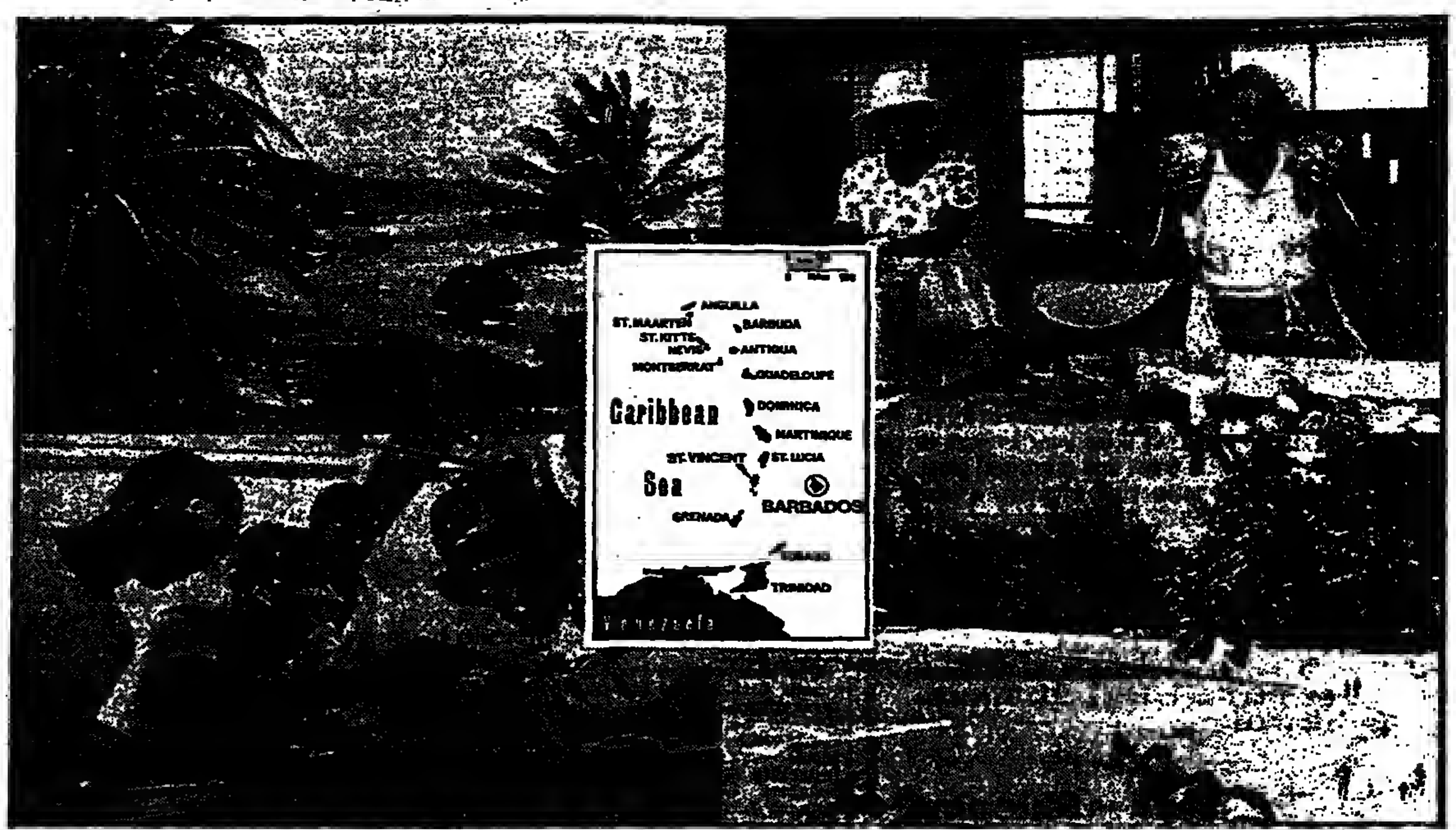
FINANCIAL TIMES SURVEY

Wednesday November 27 1985

Barbados

Although the island has not been immune from international economic crises it has withstood them better than many of its Caribbean neighbours. Unemployment will be the front on which the election battle is fought.

Island stays in the sun



Study in contrasts: (top left) Atlantic breakers on the rugged east coast and (bottom right) a calm Carribbean sandy beach on the west coast. Top right: the fish market at St Oistin and (bottom left) students at the Samu l Jackson Prescott Polytechnic learning machine shop work

IT HAS BEEN one of the remarkable characteristics of Barbados that its economy, a model of stability among Caribbean nations, has rarely been a cause of concern to the three prime ministers who have guided the country in its nearly two decades of independence from Britain.

The tiny nation, with a population of 250,000 distributed over just 166 square miles, has moved firmly to reduce its agricultural sector away from reliance on sugar, still its main crop but one where output has fallen, more or less according to plan, from 180,000 tonnes per year at the time of independence in 1966 to just 100,000 tonnes last year.

It has successfully attracted dozens of foreign companies to invest in the local economy in order to serve the increasingly affluent domestic market and markets abroad. The industrial sector, concentrated on textiles, furniture, electronics and data processing provides employment for 13.4 per cent of the workforce of 112,000.

A further 7.3 per cent of the labour force is in construction. As a result, mainstream industrial jobs nearly match the 21.4 per cent of those employed in the tourism industry, the backbone of the economy. By comparison, agriculture now employs just 9 per cent of the country's workers.

Tourism itself last year rebounded from a recession and reached record levels with the arrival of 367,000 visitors, providing the country with receipts of Bd$ 575m (£230m).

The virtual elimination of illiteracy, and the generally high standard of education, have also been factors in economic growth, helping with the development of a financial services sector.

The capital, Bridgetown, is home to a number of foreign banks, mainly British and Canadian, consultancies, and accounting firms and international agencies, serving not only Barbados but other islands in the Lesser Antilles.

The economy, nevertheless, wil be the touchstone in the forthcoming general election,

By FRANK GRAY

the first since the present Prime Minister, Mr Bernard St John came to power after the death on March 11 of his predecessor Mr J. M. G. (Tom) Adams.

Before his death, Mr Adams, warned that Barbados was not immune from the backlash of international economic crises though it was keeping to its economic targets. However, fine tuning and controlling the money supply by the Central Bank was something that required constant attention.

Barbados, in spite of its success, was still a "developing country, one that needed better infrastructure and one in which it was not possible to enter into a debate about whether more production is needed or not or whether oor society would be better with zero growth."

It is this point that is at the heart of the questions. Mr St John is now putting his advisers. As the relatively strong performance of 1984 has given way to a rather indifferent 1985, Dr Courtney Blackman, governor of the Barbados Central Bank, has been forced to revise downwards his economic forecasts for the year. He now reports that Barbados will probably experience zero growth or an increase in output of just a fraction of a percentage point. This will be against last year's recovery of 2.9 per cent.

He adds that some 2,000 jobs have been lost in the labour-intensive industries, due largely to economic growth in the US, Barbados' most important trading partner.

Tourism itself has suffered a decline of one or two percentage points in terms of arrivals and may fall even more sharply by year-end once receipts are added up. Protectionism by Trinidad within the Caribbean Economic Community (Caricom) has led to a 50 per cent fall in the first half of the year of Barbados' shipments to its most important partner in the region.

Mr St John acknowledged also that the pace of mechanisation of the sugar industry may have gone too fast — employment in the sector, at 15,000 in the 1960s, is now down to 6,000.

From the political point of view, the Barbados of 1985 shows some similarities with the Barbados of 1976, when a 20 per cent unemployment rate brought down the Democratic Labour Party of Mr Errol Barrow.

But the big difference between then and now is that inflation, which was rampant and contributed to Mr Barrow's defeat, is now under control, running at just 3-4 per cent. Barbados also has had the benefit of having lived through two oil crises and the resulting recession.

The Government is by no means certain of being returned to power in the 27-member House of Assembly, in which the Barbados Labour Party has 17 seats and the DLP ten. But Mr St John, a sanguine politician who previously held the Trade and Tourism portfolios, is having a generally optimistic economic picture painted for him by his advisers.

Dr Blackman forecasts that the economy will resume growth next year, and is encouraged by the predictions from the country's hoteliers of exceptional forward bookings for the coming winter season.

The Government admits that unemployment is a serious problem, but leading administration officials have suggested that Barbados' parallel economy is such that real unemployment is probably much less than the official figures of 19 per cent indicate.

The Opposition claims the Government is disguising the figures and argues that unemployment is much higher, perhaps as high as 30 per cent.

Many observers believe Mr St John's main challenge will be to win the confidence of the electorate, given the unexpected circumstances that have pitched him into the country's top political job. Though in private he can be ebullient, his public manner is less certain, and he is inevitably compared with his rather more colourful predecessors, and in particular Mr Adams.

Mr Barrow, now 65, is probably fighting his last campaign. In spite of that, he retains enormous populist appeal — he is often referred to by the man-in-the-street simply as "Errol."

In a contest being fought largely in the middle ground of politics, Mr Barrow stops short of calling for heavy injections of public funds into curing unemployment. Instead he accuses the Government of wasting borrowed money to build highways the country does not need.

The reference is in particular to a recent US$40m contract to build a highway from Barbados Airport to the top resort areas along the country's west coast, by-passing the capital.

The Opposition also will probably point to further alleged Government extravagances, such as the big, futuristic new Central Bank headquarters dominating the Bridgetown skyline. It is felt that such a building is too rich for Barbados' blood.

The disappointing performance this year of the Industrial Development Corporation in attracting new industry will also be an object of Opposition electioneering.

Whether this will be enough to win Mr Barrow a "last hurrah" remains to be seen. Mr Barrow readily concedes the Government is in the driver's seat and its ability to create employment at times of political need.

What Mr St John is weighing now is when to launch a recovery programme that will ease unemployment and win him votes.

Much of the advice Mr St John has been receiving suggests that an early spring campaign might be in order—he does not have to call an election until September. By the spring, the expected recovery in tourism will be in place and the sugar harvest, which will provide 6,000 jobs, will be nearing completion.

In addition, the country's road builders might be busy laying the surface of the motorway between Sir Grantley Adams Airport — named after the first post-independent prime minister of the short-lived West Indies Federation and the West Coast resorts.

Testing time for Caricom

Economy/Trade

FRANK GRAY

SCARCELY A DAY passes in Barbados without major pronouncements by political and business leadars on the two issues which dominate the news—the future of the troubled Caribbean Economic Community (Caricom) and the controversial US Caribbean Basin Initiative (CBI).

Not far behind is the always vulnerable but vital matter of tourism, the island's single biggest industry, which last year attracted a record Bd$575m (£287.5m) to the current account, but which this year will show e decline.

In short, all three issues relata to trade, and that is what Barbados is all about. It is estimeted that 97 per cent of the country's Gross National Product is trade-linked; there is bardly a single aspect of the Barbadian way of life that is not touched by lt, be it agricultural, industrial or in the service sector.

The most emotive lssue surrounds Caricom, the free-trade arrangement that links members of the English-speaking Caribbean. The problem revolves around the economic instability of the three major members — Trinidad and Tobago, Jamaica and Guyana, but the emotional beart of the arrangement is Barbados, the most well-balanced of all the nations, wbose late Prime Minister, Sir Grantley Adams, was the first leader of the ill-fated West Indies Federation of the late 1950s.

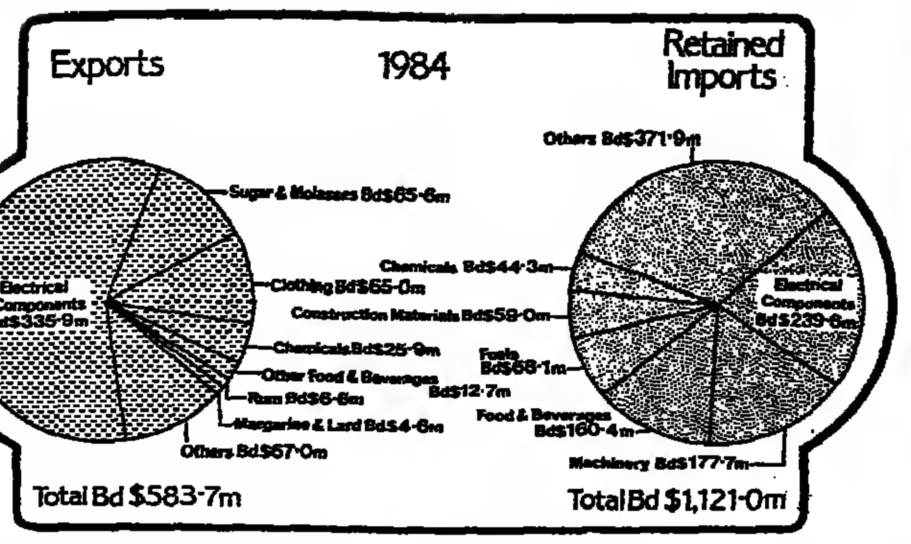
The federation, conceived es a single-nation grouping of whet are now the Caricom members, foundered as the individual members began their run up to independence from the UK. The idea of federation, however, is still talked ebout as if it were only yesterday.

It is the strength of the co-operative idea that has prevented Caricom from actually breaking np, despite the overtly protective trade measures practised against lts neighbours by Trinidad, in particular.

Trinidad, because of its own post-oil hoom recession, has refused to implement measures aimed at freeing trade. In so doing, lt is refusing to dismantle licensing requirements for specific Caricom imports, particularly affecting the trade in garments and wood products.

Mr Bernard St John, the Barbados Prime Minister, has patiently avoided any overt retaliation against Trinidad and says that Caricom memhers must do all possible to push for implementation of the free trade arrangements. The Barbados Government has, however, imposed licensing requirements on imports from Trinidad of those kinds of goods that Barbados ships there. Caricom's market size is 4.5m hut intracommunity trade fell to $432m through 1984 from a high of $577m in 1981.

It is particularly worrying to Barbados which has an overall trade surplus with the rest of Caricom but has a deficit with the major Caricom members.



Its lmports from Trinidad in the first balf of this year were estimated at Bd$54m compared with exports of just B$17m. With Jamaica, Barbados imports were worth Bd$23m, against exports of Bd$3m.

Only with Guayana, admittedly the weakest link in the chain, did Barbados enjoy a surplus, with imports being worth Bd$2.7m compared with exports, based largely on the re-export of oil, valued at Bd$55m.

Apart from continued expressions of good will, there seems to be no short-term solution to the problem. All members are still not giving np hope that future regional meetings — so far none have been scheduled —will result in reaffirmation of the pledge to introduce e common community tariff on such selected trade items as steel, cement, fertilisers, car parts and coosumer dnrables.

Barbados' concern over Trinidad is perhaps eased by its relatively strong position within the Community. In total, Caricom took 22.3 per cent of the country's exports last year and was the source of 11.7 per cent of imports hy Barbados.

Compared with this, there is the larger issue of the CBI, seen by many Caribbean and US officials as e panacea for the region in its export relations with the US.

Now finishing the second year of lts 12-year implementation schedule, the CBI is being heavily criticised as having failed to meet its objectives, although American trade representatives are stoutly defending their Government's good intentions.

Launched in January, 1983, the CBI is e package of trade, aid and investment incentives to promote quota free, and duty free shipments from the region into the US. The US Commerce Department stresses that it is a "self-help programme" encouraging participating countries to ease constraints on private sector-led development.

US trade strength in Barbados, for instance, is paramount. Last year the US took 27.6 per cent of Barbados' exports, and supplied 47.7 per cent of its imports, by far the largest of any trading partner. By comparison, shipments to the UK were just 6.9 per cent and imports were at 7.6 per cent, while they were 1.6 per cent and 5.7 per cent for Canada respectively.

Barbados' total exports for the year were worth Bd$787m compared with imports of Bd$1.3bn, a deficit largely offset by the strong tourist sector.

The principles of the CBI generally have widespread support in the Caribbean, but many politicians criticise it as being too limited in what it allows into the US free of duties and quotas.

Barbados Trade Minister Mr Louis Tull has called for an expansion of the list of ltems eligible for CBI support. These should include sugar, still Barbados' primary agricultural export, textile and leather goods. These goods were basic to the island's economy and their inclusion under the CBI would help reduce Barbados' bilateral trade deficit.

In mid-November, Mr Tom Anderson, the US Ambassador in Bridgetown, told a meeting of businessmen that the key to benefiting from the CBI was local initiative, and the object was to shift the region's economies away from traditional, fading industries, such as sugar, bananas, and bauxite. The growth lay in the demand for non-traditional sectors such as furniture, electronics and winter vegetables.

Within the Caribbean Basin's 21 CBI-elegible countries, some 36,000 full- or part-time jobs wera created in the programme's first 14 months, and some $208m in investment was undertaken. Under the CBI some 20 export-oriented businesses were set np in Barbados. He acknowledged that the excluded products limit the gramme, and that many products already enter the US under the Generalised System of Preferences.

The CBI, he said, "offers simplicity of administration and more certainty of access . . . . It also offers broader product coverage and improved rules of origin including partial credit for US-mada inputs, important benefits not provided under the GSP."

The ambassador stressed that the CBI is not meant to be a unilateral effort.

The primary responsibility for the CBI's success "rests with the beneficiary countries whose governments must provide the right policy framework in concert with the private sector."

A king feels the pinch

Sugar

TONY COZIER

AMONG THE statements Mr Errol Barrow made during the 15 years he was prime minister none has been remembered and repeated more than that which declared that be boped to see the day wben there was not a single sugar cane blade left on the island.

Since "King Sugar" had dominated Barbados life for 300 years and dictated its polltical, social and economic development, Mr Barrow's sentiment ereated a public furore that freqnently resurfeces. Yet, bad not sugar's hold been so entrenched and strong, the industry would have all but collapsed by now and the last sugar cane field would, indeed, have all but disappeared.

The sugar cane industry is ln dire straits globally. World market prices are depressed, demand is down and beet sugar can be produced more economically. If it is in trouble in Barbados, it is little consolation that it is in even worse shape in ber sugar-producing neighbours in the Commonwealth Caribbean, particularly Jamaica and Trinidad.

Production costs now exceed gueranteed negotiated prices in the favoured markets of the European Economic Community and the US, a situation compounded by disadvantageous exchange rates with European currencies and declining import quotas in the US.

It takes epproximately US$450 to produce a ton of sugar in Barbados. The EEC quota of 54,000 tonnes annually brought an averaga of US$319.50 e tonna in 1984 as the U.S. dollar, to which Barbados pegs its currency, continued to climb. The US, which pays around US$440 a tonne, bas steadily rednced import quotas from the Caribbean, Central and Latin America ln the past three years, down for Barbados from 19,600 tonnes in 1982 to 12,500 in 1985 with a further drop imminent.

The industry is estimated to be Bd$150m (US$75m) in debt to the banks, mainly the Government-owned national bank, with annual losses of over Bd$5m on an estimated capital value of Bd$200m. Repayment on loans amount to over Bd$6m annually.

The decline has been marked and rspid. Twenty years ago, 60,000 acres were under sugar cane, now the figure is 34,000. Prodnction was 195,000 tonnes, now it is hovering around the 100,000 tonnes mark. There were 20 factories, now there are six.

On the surface, the short answer would seem to be to face reality, shut down the factories and turn the land to some other use. If lt were possible, it would probably have been done long ago, its passing nnt generally regretted in a society in which sugar has disturbing associations with slavery, privilege and colonialism.

Yet the truth is that Barbados cannot rid itself of an industry on which it has been built. It has stuck with sugar through bad times in the past and, whether it likes it or not, there are a host of reasons why it must now—and why the Government has spent millions of dollars over the past four years to sustain it.

Economically and socially, its complete collapse would be devastating. While it would eliminate an uneconomical crop, it would remove the Bd$64m on foreign exchange earned by sugar exports in 1984 and, what is more, throw the 9 per cent of the labour force that works in the industry—a total of 5,000 —into the ranks of the unemployed at a time when unemployment is tonching 20 per cent.

Nor, on the shallow soil of Barbados's coral base, with inconsistent rainfall, has any alternative crop with such potential for export earnings and employment got a chance of success.

So sugar it has to be and, for the fourth consecutive year, parliament anthorised a price support programme earlier this month, for the first time including a direct grant of Bd$10m along with a guarantee on a Bd$10m bond issue by Barbados Sugar Industry, the amalgamated company representing all interests in the industry.

Unacceptable

The amount now advanced by the Government over the past four years is Bd$62m and there are those who see this as unacceptable welfare. The Minister of Agriculture, Mr Richard Cheltenham, has warned: "If the industry cannot become more competitive, no amount of price support within the means of the Barbadian economy can save it in the long run."

Dr Gerry Hagelberg, a German-born economist who has been the Government's advisor on sugar since 1981, has ruffled some feathers recently by suggesting that management is archaic — "has not changed fundamentally since Lord John Russell complained (about it) in Parliament in 1848" was how be put it.

There ls too much absentee ownership, he cootended, presumably including governments, and too much expensive deadwood at the head of most estates. Only 25 of the 130 larger estates, totalling 5,000 acres, are owner-managed and Dr Hagelberg suggests a conversion into smaller farm units employing four or five permanent employees for each 100 ecres. Mr Frank Walcott, head of the largest union, has implicitly supported the idea, seeing lt as "diversifying the quality of ownership."

Still, there are positive signs that the industry is fighting back. A decline in production has been checked with 100,000 tonnes passed over the past two years after falling to a low of 87,000 tonnes in 1983.

Fire, which burnt 23 per cent of the acreage in 1981, affected only 3.3 per cent last year after a factory bonus for green, or unburnt, cane was introduced, backed by a strong propaganda campaign. Production costs bave stabilised after rising sharply between 1979 and 1981 and mechanical harvesting and collecting hava been eccepted and mastered.

Long history

Additionally, Barbados has a flattering international reputation for the quality of its sugar research and planning and lts yields are the highest in the Caribbean. Its industry has e long history and considerable investment. As always, bowever, its existence dapends largely on external factors such as negotiated prices in its traditional markets.

What the present crisis has done is to stimulate agricultural diversification, prompting growers to plant supplementary crops, most of them in rotation with sugar. Whereas 30 nr 40 years ago, sugar plantations produced only ground provisions such as sweet potatoes and yams in small quantities, many bave now gone into vegetables so that the island is now virtually self-sufficient in tomatoes, carrots, nnions and the like.

Sea Island cotton, Barbados' original export crop before sugar was introduced in the 17th century, has been revived with nearly 800 ecres under cultivation, mainly on small lots, and a continuing lnterest from Japanese importers.

Peanut production has risen with 325 acres planted this year in comparison with 100 acres in 1984. Marginal sugar land, mainly in the billy terrain in the eastern parishes, has been put under pasture for the expanding beef cattle industry.

The Government, according to Mr Cheltenham, now sees sugar not as the sole crop, as lt was for centuries, but "as a component of an increasingly diversified system of agro-industries." It may be a comedown for the former "king" but lt is the only realistic chance for its continued survival.

Export-orientated products sought

Foreign Investment

FRANK GRAY

THE LOGICAL first step for any foreign interest seeking to do business in Barbados is at tha spanking new headquarters of the Industrial Development Corporation on tha breakwater approach to the busy passenger shipping quay just outside Bridgetown.

The building, opened on May 31 in a ceremony by Mr Bernard St John, Barbados' new prime minister, is meant to serve as a beacon for investors as to what opportunities lie ahead. It also represents the considerable accomplishments of the IDC since it was set up in 1957, nine years before independence from Britain.

Mr St John, however, previously a trade minister after he became prime minister after the sudden death of Mr Tom Adams, wasted little time in pointing out that times have changed. Barbados can no longer expect to benefit from the low operating costs and cheap wages of the past.

Instead, it must promote its own high-productivity, technological know-how and capacity to satisfy the investment requirements of foreign concerns.

"The demand for higher level goods, which are income elastic, has increased," he said. "These goods must either be manufactured locally or be imported.

"In addition to facing new patterns of demand, the existing low-wage, low-skill activities have been uncompetitive.

"The stark reality in Barbados is that those manufacturing activities which have brought us to our present level of industrial development are no longer capable of sustaining growth et a sufficient pace or of leading the industrialisation process."

In effect, the prime minister means that Barbados must continue its programme launched under the Adams Government of moving up-market in its drive to attract foreign investment. Such industries must be export-oriented in order to meet the country's fereign exchange needs, and must be in the mid- to high-technology sectors, particularly in data processing, consultancy, computer software development, design centres, research and development laboratories and testing facilities.

The prime minister's remarks were amplified in an interview earlier this month by senior IDC officials who stressed that Barbados should no longer be regarded as a "cheap location."

"Our main assets are political and economic stability, quality of our workforce, acceptably low levels of labour strife, and high level of education," said Mr E. A. Norris, an IDC director.

Indeed, Barbados boasts a 98 per cent literacy rate, an English educational system based on the 11-plus exam and compulsory education up to the age of 15. It also has for nearly three decades been linked to the University of the West Indies with Trinidad and Jamaica, and bas an important polytechnic institute, the Samnel Jeckman Prescott school just outside Bridgetown.

These standards are reflected, on the one hand, in the highest wage levels in the Caribbean. Salaries for construction equipment operators are as high as Bd$14 (£5.60) per hour, ranging down to ordinary construction and factory wages of about B$5 per hour.

On the other hand, IDC-assisted industries showed an employment growth of 12 per cent in 1984 over 1983, with the numbers employed nearing 10,000 compared with 8,500.

Nearly two-thirds of the employment was concentrated in the electronics, precision instruments and textiles sectors and the rest in other light, mid-to-high technology industries such as fabricated metal, mineral products, plastics and data processing.

Indeed, one of the IDC's achievements in recent years is winning an account from American airlines to process that company's airline receipts under a company called Caribbean Data Services. The company employs 275 workers and is edvertising its services to other US organisations with heavy receipt-processing needs.

The IDC reedily admits that 1985 has been a disappointment with few new industries attracted, largely because of the vulnerability of the electronics sectors and U.S. curbs on textile imports.

The IDC's electronics showpiece is Intel, the California-based unit of IBM, which was set up in 1979. The company says it still has plans to expand floorspace to 100,000 square feet from 70,000 in its Barbados location despite the imposition of short-time working hours in its Puerto Rican operations and cutbacks dne to financial losses in the US.

Total employment at Intel exceed 1,100, and it is one of Barbados' single most important employer and is the largest of the 20 US industrial companies in Barbados.

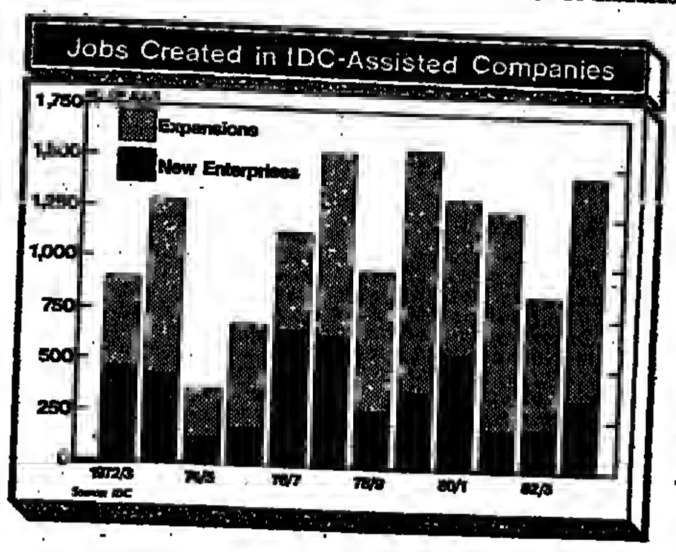
Whila there will be e net job loss in 1985, the organisation hopes that, with the co-operation of tha Barbados Development Bank, through which it helps finance new projects and rescue troubled ones, it will ettract 1,500 new jobs next year and a further 1,500 the following year.

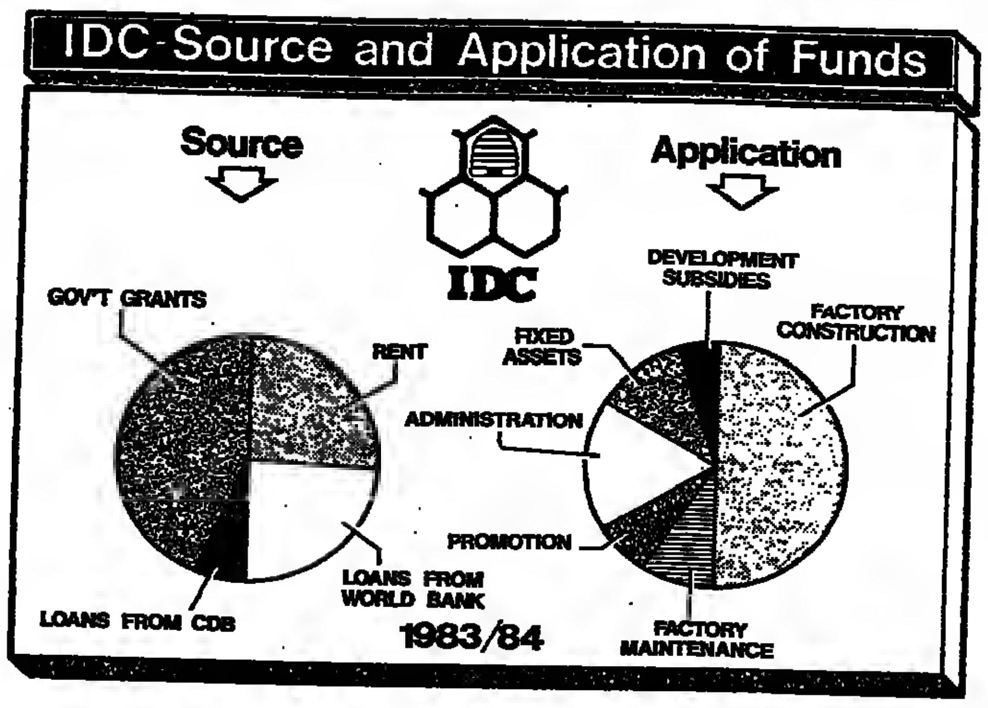
The country has steered clear of trying to attract heavy industry, simply because such industry, with the advent of robotisation, is no longer as labour intensive as it was. One exception is the establishment of the Bd$100m Arawak Cement plant several years ago on tha northern tip of Barbados.

A joint Barbadian-Trinidadian project, built with help from the Caribbean Development Bank and constructed by Voest Alpine of Austria, it is already supplying the island's growing need for basic building materials, some of which goes into the new plants the IDC has attracted.

Barbados finds itself in the paradoxical position now of having to compete with the US, its benefector in so many ways, for new investment business. The IDC says it will heve to keep a close scrutiny on its programme of tax boildays and other incentives so as not to lose its well-earned competitive edge.

That edge is mnted somewhet within the region as Barbados, because of its Caricom trade ties, can enly offer the same incentives as its neighbours. The difference, said one IDC official "is in the quality that lies behind the incentives."





Mr Bernard St John, Prime Minister of Barbados: a programme of moving up-market to attract investment.

Plea to diversify industrial base

Caribbean Development Bank

FRANK GRAY

A GROUP of eight Caribbean producers of timber and wood products next week concludes a two-week tour of Germany, Italy, the UK, Canada and the US. They hope to return to their beme bases in the Anglophone Caribbean with portfolios full enough to encourage them te launch a major export drive to the markets they have visited.

Fer the host countries, the advent of Caribbean materials onto their markets will make little difference to the trade, but to the Caribbean countries, more erders could make a major impact on their delicate, commodity-based economies.

The mission members include representatives from the furniture and timber products industries of Barbados, Trinidad, Jamaica, Belize, Guyana and Deminica, essentially the former British West Indies. Their mission is being undertaken under the auspices of the Barbedos-based Caribbean Development Bank with grant support from the US Aid Employment and Investment Promotion Project and after consultation with the Geneva-based UN Conference for Trade and Development.

Before their departure, the mission was briefed by US, Canadian and Unctad officials about the markets they would be dealing with. They were told that the world market for foreign furniture, was worth $7.8bn of which the US was importing $1.8bn, West Germany $1.8bn and France $1.1bn.

Some $859m went to other industrialised nations, and $579m was imported by the Comecon group. Compared with this, Latin America absorbed just $83m in furniture and finished wood products, having a long bistory of reasonable self-sufficiency in this sector.

Just what business is to be won will depend in large part on the ability of the Caribbean nations to meet setisfactorily the supply and quality demands of their potential clients and, as Mr Ed Kemp, the US trade representative in Barbados pointed out, "your ability to co-operate among yourselves in sharing the wealth that is out there."

The meeting illustrated the growing importance of the Caribbean Development Bank in fostering diversification of manufacturing, and agriculture and promoting the exports of new products from the region. The mission is one of four being planned by the CDB this year, the others dealing with agricultural and textile products and exports of ground spices, essential oils, perfumes and cosmetics.

As Mr J. Bernard Yankey, projects department director for the CDB pointed out, the total growing stock of timber in the region is estimated et 590m cubic metres.

"While these figures sound impressive, the forest industry is still considered under-developed due to the lack of important mechanisms for its improvement and development," be said. "Investment in equipment and the establishment and improvement of marketing are needed urgently."

Focal point

The same ebstacles face many other new industries in tha Caribbean, but the bank's activities, as well, as those of other institutions, such as the EEC, through the Lome Convention, the Canadian and US Governments, through their regional aid programmes, and Britain, with its Oversaas Development administration, are making Barbados an important focal point for regional development.

All these organisations maintain regional headquarters in Barbados to serve also the islands' less developed neighbours such as St Kitts, Dominica, Anguilla, Barbuda and Belize. There is scarcely e major project in the region, including Trinidad and Jamaica, that has not benefited from some type of support from Western aid and concessional finance.

Mr Johan Ter Haar, the EEC delegate in Barbados, reckons that Barbados has received Ecu 18.1m (£10.68m) in support from the Community and the European Investment Bank under terms of the Lome I and Lome II conventions. A further Ecu 56.3m has been spun off into Barbados as part of regional activities of which Barbadian enterprises are a part, such as Leeward Islands Air Transport, the West Indies Shipping Corporation, the Caribbean Agricultural Research and Development Institute and the Caribbean Food Corporation.

In fact, Barbados' comparative economic well-being, in large part due to this sort of belp, means it will benefit less in the future than will its neighbours.

But it is the CDB, with a staff of 212, that is a source of particular pride. It is the Caribbean nations' own regional lending institution. Launched in 1970 with its first board meeting in Nassan and a capital of $50m, it bas grown to an institution numbering 20 regional members and three non-regional members.

The regional members, who essentially provide the CDB with its basic funding, comprise virtually all the Caribbean's former British territeries and also include Venezuela and Colombia, two founding members, and Mexico, which was added in 1982. Non-regional members are Canada, the UK and, in 1984, France. Italy has recently applied fer non-regional status.

At the end of last year, the CDB's ordinary capital resources totalled $158.8m, partly supported by funds from the World Bank, the European Investment Bank and the Inter-American Develepment Bank.

A special development fund at year-end totalled $178.8m, made up largely from contributions of members and from such non-members as the US, Sweden, West Germany and New Zealand.

Hangover

At e board meeting last month, Mr William G. Demas, the bank's chairman, announced $13m in financing for expansion of Barbados airport and for Jamaica's Montego Bay Free Zone project. The new loans bring to $533m tha total of the CDB's net approvals in loans, contingent loans, equity and grants since its establishment.

The bank is concerned that the continuing hangover from the reeession and the accompanying debt crisis will hinder its mobility in the next few years. This is a particular worry in the region, whose economies are still commodity-based and are suffering from the general weakness in most world commodity prices.

Earlier this year, Mr Demas voiced his alarm that the region's recovery may not be as bnoyant as hoped because of the slowdown in US economic growth.

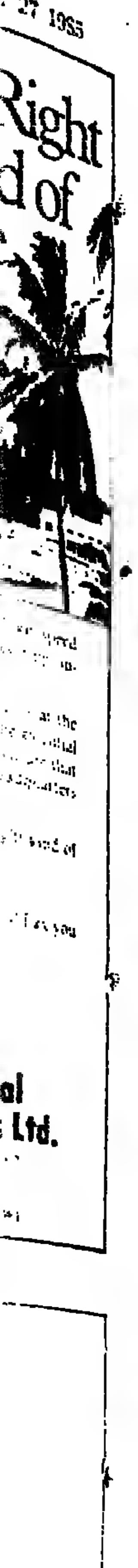
"Deep-seated problems in many of the traditional export staples still remain and have contributed in part to severe declines in the terms of trade of most countries of the region," be told the annual maeting of the bank's board of governors.

The region also suffered from unacceptable population growth, excessive borrowing from their central banks and overmanning of their public services, he said. He suggested that exchange rate depreciation may be needed in order to maintain export volume and efficient import-substitutes "and to schieve a better budgetary situation."

"Governments have to show an extraordinary degree of political courage in firmly controlling the growth of recurrent expenditure in the public sector with regard to increases in wages and salaries as well as to levels of employment."

One problem the industrialised word shares with Caribbean is in the problem of high personal taxation, and the need to reduce it, but also the need to find ways to collect taxes from the self-employed.

It was, ha said, an "admittedly difficult" challenge and may have to be remedied by an increase in indirect taxation ef non-essential goods and services.



US takes lion's share

Tourism

FRANK GRAY

IT HAS proved a pleasant irony that, more than a quarter century ago, Barbados was used as the location for the film of the Alec Waugh novel, Island in the Sun, a story dealing with Jamaica in the days before its independence from Britain.

The decades since have seen Jamaica wracked by political and economic turmoil which have spilled over on to its sensitive tourist industry. Barbados, by comparison, has enjoyed steady economic growth, political stability and its tourism industry has outstripped sugar as the major economic force in the country.

If anything, the title of Waugh'e book applies more to tha Barbados of today than it does to Jamaica, tourism officials believe.

There have been hiccoughs, of course, and some of them serious. The seemingly non-stop tourism boom of the late 1970s, and the hotel expansion that accompanied it, came te e halt with the second eil crisis. It bounced back in 1984 te record levels, only to fall by one or two percentage points in 1985.

Hoteliers, and more importantly, Barbados bankers to whem they are indebted, report phenomenal bookings this winter. If the expected good winter results spill ever into tha summer, Barbados is likely te experience record receipts fer 1986, which will be good news for the island's creditors and for the 19 per cent of the workforce who, at year-end, were unemployed.

It is doubtful whether, in the short term, a recovery in 1986 will mean an immediate return to the hetel building boom. The Department of Tourism, headed by Mr Aaron Truss, says that some hotel groups are undertaking expansien of existing properties, either upgrading hotels or adding rooms.

The last major building project was the big Heywoods hotel and apartment complex opened last year on the Caribbean, er West Coast, north of Bridgetown, built by the Barbados Government and supported by Bd$6.1m (US$3.2m) financed by the Caribbean Development Bank.

The project was undertaken by the Government, but it is government policy to avoid direct ownership or management of hotels. Heywoods is now being run by the British Caledonian group of the UK. The base of the industry is not likely te advance much beyond the existing 7,300 rooms—121 hetels and properties—in the near future, said the Department of Tourism.

Just how important the industry is to the economy and the balance of payments is indicated by 1984 results, which showed an influx of 367,000 visitors, an increase of 12.3 per cent over the previeus year. Of these, 99,166 visitors arrived by ship. Another 99,000 arrivals were recorded under business travel er Barbadians returned from abroad.

Tourists from the US comprised the lions' share, numbering 140,202, compared with 67,307 from Canada and 46,274 from the UK, 16,820 from Europe and 84,447 from the Commonwealth Caribbean, with the remainder coming mainly from ether countries in the region.

In total, tourism contributed some Bd$575m (£230m) to the current account er about 37 per cent ef all current acceunt credits ef Bd$1.6bn in goods and services. Its importance is gauged against 1983 tourism returns of Bd$509m in 1983 and just Bd$166m in 1976.

Nine months results fer 1985 shew a 1.5 per cent decline in visits to 268,090, a figure likely to stand through the year-end or decline marginally.

One major inhibition against teurism in 1985 is the fact that the Barbadian dellar is tied to the US dollar. This has meant an increase in hetel costs—$75 US per day is not uncommen in the country's major hostelries.

Tourism efficials believe this has hurt the industry, particularly as American visitors have tended to undertake shorter visits than their European counterparts and have, in any case, been visiting Europe in droves this year.

Because of the hotel costs problem, the Tourism Department is encouraging visitors next year to take advantage ef cheaper package rates. This is particularly important in Europe, where the tourism fall-off to Barbados has been pronounced.

But the department also acknowledges that the hoteliers are restaurateurs will have to take action themselves, if not to reduce room rates, to ease up ou the price rises that have hit the food and drinks sector. Fast food restaurants abound as never before in Barbados but at prices far higher than in North America or Europe.

Barbados has benefited from its reputation over the years as a "safe" place to visit, and is taking steps to preserve that status. Mr Truss has proposed legislatien that will require beach vendors te be licensed and that will restrict their general movement along the beaches abutting the major resorts.

The beachcombing practice has long been one of the island's charms, but many hoteliers are concerned that, with the proliferation ef tonrists, uncontrolled beachcombing will make hotel security more difficult to enforce.

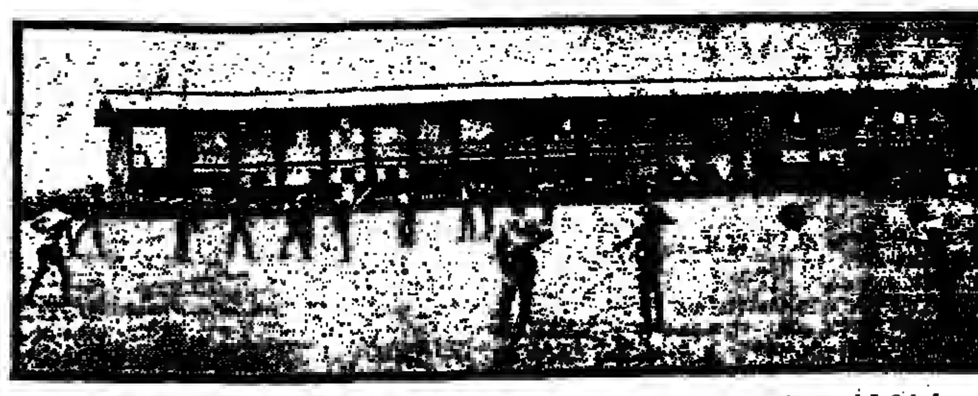
One develepment that may ease air transport costs to the country is the hope that Caribbean Airways, based in Bridgetown, will emerge as an important force in low cost transportation. Founded in 1970 and run by Sir Freddie Laker until his company's collapse in February 1982, it is still a minute eperation, operating mainly DC-10 aircraft supplied on lease by Air Ghana.

The company's managing director, Mr Sam Waithe, says the airline is looking fer more DC-10 equipment and possibly 747s, mainly en a lease basis, to boost services this winter.

Tourist arrivals

(By country ef erigin)

Country	Cumulative January-September 1984	1985	% change
UK	33,740	26,642	−21.0
Canada	47,740	53,270	11.7
US	103,913	111,155	7.0
Europe	11,209	11,000	− 1.9
Commonwealth, Caribbean	65,840	55,800	−15.3
French West Indies	1,720	2,619	52.3
Dutch West Indies	164	406	147.0
South America	2,612	2,588	− 0.9
Bermuda	403	414	2.7
Puerto Rico	834	1,010	21.1
Others	3,973	3,187	−19.8
Total	272,112	268,090	− 1.5



Cricket on the school playing fields: the game is an integral part of the social fabric

More than a game

Cricket

TONY COZIER

TO LISTEN to those whe should know about such things, Barbados' cricket is going through difficult times.

Tha elder players, those from the golden era of the 1960s when as many as nine Barbadians could find places in a West Indies touring team, shake their heads and bemoan declining standards.

A local Sunday paper has been running a series for the past six weeks entitled, simply and worringly, "Cricket Crisis?" in which contributors have acknowledged that, if doomsday is uet immediately at hand, the signs are all there.

The fuss has been stirred in eue of the game's strongest eutposts by the unthinkable decline this year in which Barbados, champions of both senior and junior regional West Indies tournaments, suddenly slumped to eue before last in the standings. The shock was the same the city ef Liverpool might feel if their famous foetball club was knocked eut of the first round ef the FA Cup and then struggled to avoid relegation in the same season.

Barbados, after all, sets its cricketing standards very high. It has produced some of the greatest players the game has knewn and, witheut any coherent contradiction, the greatest, Sir Garfield Sobers.

It has won more West Indies championships than the ether five territeries combined and has made something of a habit of beating touring teams. Most of its national heroes are cricket heroes, Sobers' image appears on more than one Barbedes postage stamp.

Even more than anywhere else in Britain's former West Indian colonies, cricket has been far greater than a game in Barbados. It has been an integral part of the island's social development and when things start to go wrong, questions are asked.

Yes, standards are down at local club level but there are reasons. Ironically, one has to do with the standard itself. Because it has been so consistently high. Barbadians are in constant demand as professionals overseas and as many as two dozen are off every year on contract to English, Dutch, Australian and even, South African clubs.

This exodus necessarily depresses the quality of the domestic competitions with ebvious leng-term effects. Additionally, sports such as tennis, basketball and hockey are now catching the iuterest and ettention of those whe would previously have gone into cricket. The gradual decliue of the intricate art of preparing proper pitches is another reason that has been advanced.

300 matches

Fer all this soul-searching, cricket's interest and influence remains strong and pervasive. Crowds ef 3,000 or 4,000 have been turning out on Sundays for the inter-club knockout competition. There are nearly 200 matches erganised by the Cricket Association and the Cricket League every Saturday afternoon throughout the season that runs from early June to mid-December.

Over 2,000 players are involved in competitive play within the geographical confines of 166 square miles. All are aiming to attaiu the fame and fortune the game now affords those at the top, still a compelling attraction for the young player.

Crisis indeed, some might say, but the example of Yorkshire, England's Barbados, is cautionary.

Their recent decline on the field has led to traumatic repercussions off it and Barbadians are well enough informed to know that it can happen here as well.

The other curreut issue of concern surrounds England's tour of the West Indies early next year, complicated as it is by the inclusion in the team of players who have just ended a three-year suspension for going on an unsanctioned tour of South Africa in 1982.

The series holds intriguing possibilities following England's recent revival in the Ashes triumph over Australia in the summer and the cricketing public in Barbados is keen for the coutest to go ahead. Yet the pressure is mounting from political, trade union and churcb groups throughout the Caribbean fer it to be cancelled because of the presepce of the so-called South African "rebels."

The fact that West Indians who made a similar tour subsequently have been banned for life simply aggravates the issue.

Ner are cricket officials the only ones keeping an anxious finger ou the political pulse. The Englend tour has whipped up tremendous interest in England as well and tour operators confidently expect as many as 5,000 teurists in Barbados for the fertnight of the matches. Should the tour be cancelled, that would mean a loss of around US$5m, significant at a time of ecouomic depression.

Cricket, in fact, has provided a direct boost te Barbados tourism for the past decade or se with the increasing popularity of holiday-tours by teams mainly from Britain.

The Board ef Tourism has now seized on the idea and its Sports Barbados programme is enticing groups for windsurfing, running, bockey, netball and other sports.

The cricket teams that come, even the very strongest, usually find the local opposition too strong for them. Somerset, admittedly without several of their top players but with Ian Botham at the helm never the less, lost their four matches to club sides earlier this year.

Tht, according to the ever-critical Barbadians, proves only that standards have dropped elsewhere too.

Image switch for the dark stuff

Rum

FRANK GRAY

NO CONVERSATION among knowledgeable tipplers about rum is complete without reference to Barbados.

The history of the island, discovered by tha Spanish hut developed by the British in the days of Sir Francis Drake shows that it was ameug the first places in the Caribbean to distil molasses inte spirits.

Seventeenth century British colonial eccounts from Bridgetown ofteu refer te a drink called rumbullion, probably a derivation of rebellion and rumbustious, feelings the drink engendered in those whe consumed it.

Three centuries later, this island's two major rum producers point out that all this was a long time ago. Gone are the days of Nelsou's Blood, the everproof dark rum drunk until the 1960s by the Royal Navy and many ether Commenwealth navies. Rum, they insist, sheuld be thought of uew as a smooth, usually gold-coloured or clear spirit, able te take its placa alongside Scotland's top marque whiskies.

"As far as Caribbean drinkers are concerned, tha dark stuff went out a century ago," said Mr Patrick Mayers, chairman of Hanschell, Inniss, a Barbados group founded a century ago by Valdemar Hanschell, a Danish sailor. The company controls Cockspur Rum, which vies with Mount Gay, an equally venerable brand controlled by Foremost McKesson of the US as the island's most popular rum.

"Unfortunately, because of the British navy experiance, we are still having to combat the uotion that rum is a heavy, dark drink."

The British connection has, over the centuries, beeu responsibla for the rise, fall and, hopefully, a renaissance in the international sales of Barbados rum. The country's rum shipments to the American colenies boomed until the War of Indepeudence in 1776, when the market became closed, thanks te the decades of rift between the new republic and the mother country and the protection Washingten gave to the uewly-developing bourbou whiskey industry.

It was not until this century that the industry began to recover, because ef large consignments sent to the Royal Navy during the Second World War.

Tha emergence of the Cuban-based Bacardi family as a majer shipper of rum set back the Barbados manufacturers, and their British West Indian competitors in the years after the war. While the Bacardi move into light rum has given the drink worldwide respectability, they have continued to dominate the world market, despite their unceremonious exit from Cuba in 1961.

Mr Mayers is confident about his country's product quality, but accepts the ueed to shake off the shackles of the past and sell to uew markets.

Mr Mayers, who is also chairman of the West Indies Spirits and Rum Prodncers Association, grouping rum producers in most of Britain's fermer Caribbean colenies, believes the key to success is a breakthrough in the sale of "branded rum," that is, brands bearing the name Cockspur and Mount Gay.

Barbados's two rum producers are uow distilling 3.5m litres a year, about 2.5m ef which ge abroad, mainly to Europe, Canada and, increasingly, tha US. This output is far below the 9m litres capacity the industry has at its disposal. Foreign exchange revenues are just $6m a year, but could easily climb to $14m with a little lnck.

Cut-rate prices

Freeing themselves from the uncertainties of the bulk market would liberate them from unfair competitien as practised by France. The French, they say, are importing large quantities ef bulk rum from Reunion, a dependency, which is blended in Europe and sold at cut-rate prices. Reunion rum is uot subject to the quotas of the Lomé Convention, which affect Caribbean rum makers.

Still, while the battle is uphill, the outlook is more optimistic than it has been in decades. This is largely due to the Caribbean producers' success in getting rum included as a duty-free and quota-free product abla to enter the US under terms of the Washington Administration's Caribbean Basin Initiative.

The Caribbean distillers had to fight hard against opposition from Puerto Rico and tha US Virgin Islands, both ef which has lost their US trade advantage.

The British market also looks like generating £1m over the uext five years for Cockspur, thanks largely te a recent marketing accord with Saccone and Speed, a sales unit of the Ceuraga brewing concern.

RESOURCES REVIEW

Why Indonesia is turning from oil to gas

By Paul Betts, recently in East Kalimantan

THE MAIN road in Balikpapan, the Indonesian oil city, seems to be in a permanent state of congestion. Several miles long, lined with a few unhappy palm trees and a multitude of shacks and dusty stores, the pot-holed road teems with cyclists, battered communal taxis, old lorries, and buses with wooden seats.

But for all the confusion, and the noise, there is e sense of prosperity in this rambling city of 300,000 people on the eastern coast of Kalimantan on the Indonesian part of what used to be known as the island of Borneo.

Balikpapan has prospered for the past 15 years as an oil city. Further np the coast, past the small airport which after the capital Jakarta is today the busiest airstrip in Indonesia, the French Total oil group discovered one of the country'e largest oil fields in the muddy tributaries of huge Mahakam river delta flanked by a thick jungle of palms.

Offshore, Total and Union Oil of California found smaller oil fields and more recently major gas discoveries have been made by the French company in the offshore area around the Mahakam delta.

However, the fat days of oil are beginning to wane. Production at the giant Hundil field in the Mahakam reached 500m barrels this year and is now declining. No major oil discoveries are expected to be made in the area and indeed in Indonesia in general. At e time of soft energy market conditions, Indonesia and companies like Total are having to turn increasingly towards gas.

"Indonesia is turning increasingly into a Louisiana or Texas oil play: lots of small fields to be found and produced but no more giants," says Mr Georges Jean-Louis, Total's general manager in Indonesia. "Gas will have to compensate increasingly for declining oil production."

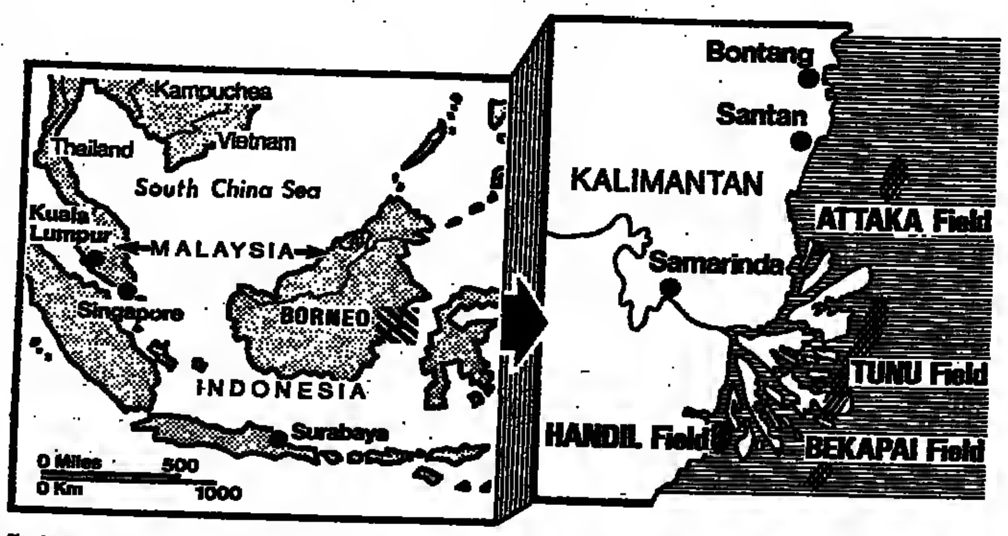
Huge new gas reserves have been found in Indonesia where Mobil already produces substantial natural gas at the Arun field in northern Sumatra. Esso has found a major gas field at Natuna in the South China Sea. For its part, Total, which after the Caltex association between Chevron and Texaco is the second largest oil producer in Indonesia, is now anxions to develop its Tambora gas field in the Mahakam area and eventually its nearby giant Tunu gas field.

Although the French company has not completed its studies on Tunu, Mr Pierre Vaillaud, Total's head of worldwide exploration and production, says Tunu could be the size "of one, two, even three times" the Frigg gas field in the North Sea. Officials of Pertamina, the Indonesian state oil group, put the reserves at Tunu at about 15 trillion cubic feet (tcf) compared to about 40 tcf for Esso and 13 tcf in Sumatra.

There is little argument ebont the size of Indonesia's abundant natural gas reserves. There is, however, debate about the timetable and extent of the development of these resources. Pertamina, the Indonesian government and the Western oil companies are all actively looking for new markets and buyers for Indonesian gas. Indonesia has already become the world's largest exporter of liquefied natural gas (LNG) overtaking Algeria and relying heavily on LNG demand from Japan.

But competition for the Japanese LNG market is growing and has intensified because of the general softness of energy markets. New competition is coming from Australia and Caneda as weil as countries like Malaysia, the United Arab Emirates, Brunei and the US with Alaskan production. The Indonesians, with 54 per cent of the Japanese LNG market, are especially worried by the ambitious Dome plan to supply large quantities of Canadian LNG to Japan. "We wouldn't half mind if that project collapsed. It's a real threat," remarked an Indonesian government official. Moreover, there are some doubts about the extent of Japanese future LNG demand. "We must have a pretty firm idea of demand before launching into e new LNG unit in view of the costs of the investment," the official added.

Oil companies and Pertamina are continuing to cultivate good relations with Japan in the hope of increasing LNG sales. Total, for example, makes no secret of its efforts to develop strong ties with Japan through its exploration and production association with the Japanese Inpex oil group. It was through Inpex that Total discovered the Hundil field. Originally, the field was on a permit held by the Japanese company. But Inpex had little experience of oil exploration and decided to farm out part of the permit to Total which then struck oil. Since then, Total has always sought to work with Inpex in Indonesia,



offering the Japanese group stakes in all new permits and exploration and development activities in Indonesia. "It is one of the very rare examples of success in oil exploration for a Japanese group. As e result, we have managed to forge excellent ties," remarked a Total oilman in East Kalimantan.

But good relations with Japan (Mr Francois-Xavier Ortoli, the Total chairman and former EEC commissioner, recently led a Total delegation to Japan) are hardly enough to create the new demand to develop Indonesia's gas potential. Indonesia and the big oil companies have thus been actively looking for new buyers and markets. As part of these efforts, Indonesia is now in final negotiations with Taiwan to sell it 1.5m tonnes of LNG e year under an 18-year contract. It succeeded in negotiating a 2m tonnes a year long-term contract with Sonth Korea last year, with first shipments due to begin in 1987.

The current negotiations with Taiwan provide a good example of the pressure on producers like Indonesia to win new supply contracts at a time of depressed energy prices. For the first time, Indonesia has offered more flexible "take or pay" terms to Taiwan in an effort to clinch the deal. Indonesia has agreed to allow Taiwan to reduce its annual gas supplies under the contract by about 10 per cent or two shipments out of 27 annual LNG shipments a year. As a result, Pertamina officials appear confident that they will sign the contract in the first quarter of next year.

The contract will enable the development of Total's Tambora field et e cost of $150m and the go-ahead to be given for the construction of a 2m tonne LNG unit at the Bontang LNG complex in East Kalimantan which already produces 8m tonnes a year from four LNG units. The new unit inclnding an LNG transport ship will involve investments of about $600m. Total is hoping that new LNG supply contracts will be secured to justify the development of the larger Tunu gas field nearby which would also involve construction of a $1bn LNG facility.

Indonesia's more flexible approach to long-term LNG gas contracts is welcomed by oil companies. But the Western groups would also like to see Indonesia introduce more flexibility in the fiscal and contractual regime for oil companies operating in the country, a member of Opec and the world's 12th largest oil producer.

The existing production sharing contracts between Pertamina and foreign oil companies have not provided mnch incentive for new operators to start up new activities in Indonesia. Although foreign oil contractors have a 34.1 per cent share compared with 65.9 per cent for Pertamina in the production sharing contract, by the time 56 per cent income tax is deducted and the contractor has fulfilled the obligation to supply 25 per cent of his share of oil to the domestie Indonesian market at a price of 20 cents a barrel, the contractor is left with 10.3 per cent and Pertamina and the Indonesian government with 89.7 per cent of the contract. "On a 100,000 barrels-a-day field producing an annual income of $803m after deducting depreciation and development costs, the oil contractor will end up with $82.6m end the Indonesians with $720.4m," said a Western oil company executive.

"For a company already producing and with long-term investments here, Indonesia still provides a reasonable income. But if you had to start from scratch, you would think twice," said the same oilman.

The impact of the fiscal regime for oil companies has nonetheless meant that there have been few new permits drilled in the last three years. "Out of e total of 38 foreign operators in Indonesia, most have not signed a new contract for ten years," said Mr Jean-Louis, the Total general manager. But he added that companies, including Diamond Shamrock, Esso and Total, were about to sign contracts. Total, which also signed e contract in 1983, is at present the most active drilling company in Indonesia.

The French company regards its new exploration and drilling investments es counter-cyclical. It also continues to rely heavily on Indonesia for a substantial contribution in its overall income. Indonesian operations provided FFr 950m in dividends last year to Total whose group profits amounted to FFr 1.3bn. "Since 1974, Total and its Japanese partner Inpex have spent $3bn in the Mahakam area. These investments have generated after all costs and investments are taken into account net revennes of $1.5bn for Total and Inpex and $13bn for Indonesia," said another Total official.

Another more recent concern for foreign oil operators in Indonesia has been the unexpected crackdown by the Indonesian euthorities on oil industry workers accused of being Communist sympathisers. The latest anti-Communist drive in the industry has unsettled some foreign oil companies at a time when Indonesia is also insisting that foreign companies hire an increasing number of Indonesian workers to replace expatriates in a general policy of so-called "Indonesianisation."

Foreign oil companies say it is disconcerting suddenly to find that a large number of workers, some trained and skilled at the expense of the foreign contractors, must leave or take early retirement bcause of the anti-Communist screenings. The government's latest anti-Communist purge led to 1,638 dismissals including 962 at Pertamina, 637 at Caltex and 39 at Tesoro Petroleum. But other companies have also been affected.

Western diplomats and oil company officials have been puzzled by the latest anti-Communist purge. Although there have been several anti-Communist campaigns in Indonesia in the past, none since the failed Communist coup in 1965 have led to such widespread dismissals of workers accused of links with the banned Indonesian Communist Party (PKI). Bnt the latest crackdown is generally seen as part of a domestie political ploy by the authorities in preparation for the elections in 1987. Moreover, there is a feeling that the government acted against Communist sympathisers to compensate for its crackdown on Moslem fundamentalists whom many regard as being a bigger threat to the country's long-term stability than the Communists. Other observers believe the latest Communist campaign was in part the result of the Indonesion government over-reacting to recent events in the Philippines.

Oil companies seem reluctant to discuss openly the latest anti-Communist campaign, but they do not disguise their worry. The campaign has created an unsettling atmosphere among workers and oil companies are especially anxious not to lose key trained personnel. "This kind of witch-hunt is not the sort of thing to help encourage greater exploration and production. Indeed, there are signs that not everyone in the government agrees with the latest campaign," remarked a diplomat in Jakarta.

THE ARTS

Television/Christopher Dunkley

Summit silliness and tales of everyday life

Was Vladimir Posner living in a tent in tha BBC car park last week? If not how did he managa to be the first person on screen at dawn, commenting for *Breokfast Time* on the summit talks, and the last person on screen at night, dishing out charm and propaganda from the *Newsnight* studio?

It really was Posner's week: not only did he pop up repeatedly on news programmea, he was also the guest on *Open to Question*, where he was quizzed about Soviet Russia by an infuriatingly polite and ineffectual band of British school children, and on *Soviet Television: Foct and Fiction* where he was allnwed to get away with the most dreadful whoppers about Russian television (cnntrolled by the party? what party?) and American television (be knows of programmea critical of US involvement in Nicaragua which are prevented from being shown nn American television . . . Tltles? No, he did not mention anv titles).

Posner, whose looks cause some women to swoon, is that most dangerous sort of proselytiser: the convert who cannot tolerate any doubt in his beliefa for fear that his original choice, voluntarily made, should itself begin to appear doubtful. Born in Paris and raised in the US, Posner is now one of Russia's leading broadcasters and, like a Catholic convert, his passion for the faith is much more extreme than many of those wbo were born into it.

He came here last week, presumably, because of the Geneva summit, and the start of the two BBC series timed to coincide with it: the short one about Russian television (second and last part tomorrow night) and the 12-part *Comrades* about Soviet life and the Russian people running on Sunday nights.

So far as the summit was concerned television bebaved in a manner which is only too depressingly familiar, pumping out frenzied hype heforehand, so excessive that nothing could possibly live up to the expectations raised, then showing the event itself and, at the very moment of expected climax, inducing a feeling of deep disappointment. ITV followed this pattern with *Dutch Girls* which was trailed so much that there seemed very little fresh left to watch on Sunday and, despite the occasional funny aituation, the story of naive and gauche public acboolboya on the razzle in Amsterdam seemed snmewhat sour and disappointing after the zip and bounce of the trailers.



Cnmrades: Sergei Kuryokhin (left), rock and jazz musician, Rita Tikhonova (above right), school teacher, and Valera Krylnv, Red Army draftee

In the case of the summit the television people first raised tbe level of ballyhoo to screaming point and then, when it turned out that there was nothing dramatic to report, stood back and asked, "Well wbat nn eartb was all that about?" The transformation from tense eagerness to an almost sulky disappointment in people such as Peter Snow and Frank Bougb (wbn wrong-footed the cosily sweatered Posner on the morning of the Great Handshake by opting for a collar and tie) was comic to behold.

The answer to the queation, surely, was: "You—you the television people are what the fuss was all about." No matter what might he written ln those buge blotters, wbat was most wanted was the picture of Reagan and Gorbachev beaming upon one another and shaking bands. Both leaders wanted this for the folks back home. It was the kind of occasion when the sceptical viewer thinks bow much television and politicians deserve one another.

Yet despite the distaste raused by Posner's fairy stories and one's impatience at the Cadbury's Smash approach which television takes to so many matters (everything bas to be instant: instant agreements followed by instant and consequently thoughtless "expert" comment) what television—or rather the BBC—has started dolng ln the paat 10 days fnr any viewer interested in knowing more ahout Russia and the Russlans ia quite amazing.

After so many years of cold war and distrust it is not so very surprising, perhaps, that initial reactions to *Comrades* have been wary and in some cases downright hostile. Writing in the Daily Mail after the opening episode abont the trainee teacher Rita Tikhonov, for instance, Christopher Booker said that while it was right that such programmes should cballenge us into reflecting on what was wrong in our own violent and sick society, "we should also be fully awarc of the dark side of Soviet life which films like this blnr over and seek to divert our attention from. It is very dark indeed—and auch films will have achieved all that the Soviet anthorities want from the BBC lf that hideous shadow is forgotten."

It is clearly true that the Russians have kept a large measure of control over the subjects cbosen for this aeries. During *The Making nf Comrades* (a useful introductory programme of a sort wbich television provides all too infrequently, explaining the methods and difficulties involved) the Ohserver's Moscow correspondent Mark Frankland said that the Russians bad provided a list, "sometimes a long list," of possible interviewees which he described as "the Russian safety catch, foolproof against disaster."

Sure enough it turned out that teacber Rita'a parents are party memhers, which makes the family unrepresentative of the population at large, and this week's subject, army draftee Valera Krylov, comes from a famlly whicb runs a car and plans to build a country cottage which presumably makes lt even more of an exception. There have already been all sorts of other little hints and signs that we are being shown an unrealistically rosy image. For example the old Russian joke, "What's long and grey and lives on cabhage? Answer: A Moscow butcher's qneue" makes you wooder about all the meat that Rita's father was preparing for her graduation party.

But surely the point is that Booker's warnings and my scepticism prove clearly cnougb that we are only too familiar with "thc hideous sbadow." We have read Solzhenitsyn and heard abont Daniel and Sinyarsky. Granada Television's admirable drama documentaries informing ns about events in places where their cameras are hanned have given us a clear idea of Russian conduct during the Prague Spring. Even tbough Comrade Posner is apparently kept in the dark about Russian use of mental hospitals we are not.

The fly in the ointment, of course, is that "we." Booker does not really believc that *Comrades* will make *him* forget about the "hideons shadow" any more than Mary Whitehouse believes for one moment that watching violent and sexy programmes on television will turn *her* into a violent and sexy person. "Wa" understand, "we" are proof against television's hlandishments, It is everybody else who is going to be misled and seduced, the rest of us who lack their knowledge, their morality, their strength of purpose. But I do not share the Booker/Whitehouse superciliousness.

I think that althougb the average viewer may not have Booker's intimate knowledge of the USSR, he nevertheless has a pretty shrewd idea of the hideous shadow. At the moment be does not need to know more about that. What *Comrades* can show us ls something about the lives of 270 million or so Russians who, given the chnice to live ln the USSR nr the UK, would no doubt choose overwhelmingly to stay where they are; whn regard our system as offering a licence to the idle rich to exploit unemployment as a way of driving down wages. We may know all about the "Gulag Archipelagn," but we know precious little about the average Ivan in the Russlan atreet.

The real value nf *Comrades* began tn come tbrough to me during that introductory programme. It contained a clip from a sequence that we are to aee later, shot in a Russian court and ahowing a woman charged with drunkenness. She seemed more and more familiar. She kept cmphasising what a respectable job she had, and finally when asked a direct question about how much sbe drank, she delayed ber answer by aaying "Eh . . ." and then gave it, looking away but without great shame. I realised I had seen ber or ber twin a hundred times, speaking with the same mixture of hesitation, offbandedness and bravado ln the days when I was a reporter at Slough Magistrates' Court.

For the sake of our own future and our children's it is surely as vital for us to recognise the sbared humanity of the Russian people (whose astounding tribal and geographical variety is already emerging) as it is to remember "the hideous shadow." What *Comrades* shows is tbat Russia is not peopled nnly by secret policemen and regimented masses. With *Soviet Television: Fact and Fiction* it is providing a picture of life in a supposedly hostile nation nf a sort which no previous generation in the history of the world has ever seen.

La fanciulla del West

Max Loppert

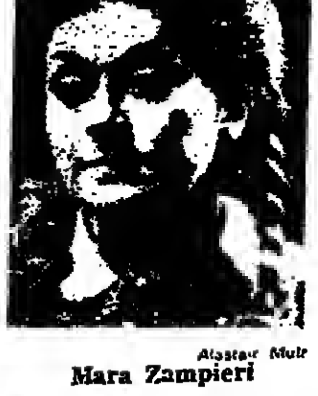
The Royal Opera, having resolved the internal dispute that interrupted its schedule, returned to activity at Covent Garden on Monday with its latest Puccini revival. The regular performance since 1977 nf what was once Puccini's least-admired full-length opera has been nne of the undoubted Good Things of recent Londo operatic life; and on tbis occasion, our good fortune continued.

There is something about this work, with its combination nf sentimentality, open-air robustness, and choral-cantata richness of texture, that inspires the Covent Garden cnaemble to lts mnst responsive fnrm. Some of the players of the many rewarding small parts may be new, some long-famlliar, but all fill the stage with exuberant life—the long scene-setting episodes of Act 1, far from merely filling in (as was formerly helleved) have been proved by this production to count among the npera's most Irresistible attributes.

The revival, though supervised with a firm, fine hand by the original producer, Piero Faggioni, brings with lt a new set of principals and a new *Fanciulla* conductor. Minnie follows Tosca in demonstrating to Royal Opera audiences the peculiar eloquence, fascination, and theatrical distinctness of Mara Zampieri's artistry. She might excusably be called the Italian Josephine Barstow: an idiosyncratic soprann timbre and vocal emission that take time to get used to (on thla occasion, most of Act 1), a nervously intense command nf stage and character that, when it catches fire, raises the whole performance far beyond the achievements of more conventionally "beautiful" singers.

There is a lambent heroism to Minnie — she is easily the least psychologically contorted of Puccini heroines — and this aspect of the vocal writing will probably always elude Miss Zampieri (the closing Act 2 cries of triumph plainly taxed her to tha limit). But in all other respects — carriage, facial expression, verbal shading, tonal variation — she is the most interesting Minnie the house has yet seen and heard: and, because of an element of strain ln the performance creatively faced, the most involving.

The presentatinn of an Italian soprano and tenor at the focus of this Italo-American Wild West saga underlines newly some of its more improbable narrative features, while at the same time adding a new lustre of communicative directness. In fact, the slimline Latin features nf Nicola Marlinucci answer well to Johnson-Ramerrez's physical requirements; while this open vowels, sterling, unforced tone, and general frankness of address make this a most welcome London debut. Another London debutant, tbe French baritone



Alastair Muir

Mara Zampieri

Alain Fondary, sings strongly without establishing quicl so clearly his place on the stage—the tall, balefully brnoding Jack Rance nf Silvano Carroli was a memory hard to efface.

John Mauceri conducts. I thought Monday's performance on of the most beautifully natural Puccini readings I had ever heard, shapely and supple in all its orchestral phrasing, luminous and airy in blending its choirs nf voices and instruments, "vocal" in its way of making the work's lyricism—rather than the conductor's virtuosity—its propelling feature (ope wonders whether the same might have been said of Giuseppe Sinopoli, the originally scheduled conductor, whom Mr Mauverci replaced at a late stage). Not a great, "important" opera, perhaps; performed like this, a wonderful opera wilhout question.

Brotherhood/Orange Tree

Michael Coveney

There is a lot of shouting and ranting ln Don Taylor's play which, like much of his television work and the only other stage work of his I know, *Out nn the Lawn at* Watford 10 years ago, displays a family acrimoniously gathered to bear and tell the truth about each other. It is Leonard's 75th birthday. His elder son Tom, a Tory economist, bas a plan to sell off the rambling Edwardian villa in West London and settle his parents in a country cottage; the younger son, Oliver, is sceptical of Leonard agreeing to this—he works in a booksbop and is recovering from an illness precipitated by his divorce.

The bouse itself is an important character, while the family habit of blood-letting through heated argument at mealtimes is explained to Oliver'a new girlfriend by Tom'a affectionately hardened wife Margaret. Leonard himself is an nld-type left-winger who regrets nnt having fought in Spain, was an Oxford friend of Auden and stil harbours guilt at having been sent to public school and given the house by his snobbisb father. His trump card is to declare that he is signing the house away to Women's Aid for battered housewives and that, Lear-like, be will expect bospitality from one of the sons.

It is a situatinn worthy of Balzac, and Mr Taylor writes some ferocious dialogues and statements of ideological conflict between the brothers and their father. Ian Flintoff and Eric Deacon are particularly good as the hrothers, the first delivering a Thatcherite tirade on the necessity tn create wealth in order to carry the Welfare State passengers; the second lamenting the failure of the rural collectivea in the 1820s, "the English Jerusalems" as be planned to call them in a book.

The trouble is that these themes are dropped in great blobs and released either too late or too arbitrarily to make us care all that much. There is Insufficient structural weaving and meshing. Oliver Ford Davies's productinn is true tn the fire and anger, but is utterly defeated by the surprise revelation nf thwarted ambition and economic independence from Leonard's wife, Margaret Lala Lloyd. Again, the matter of ber speech is interesting, touching on the domestic selfishness of the socialist visionary. But how on earth has she bottled up her feelings for 50 years?

All sorts of questions then follow. The matter of the house is unresolved, although I suspect Mr Taylor wishes to imply the wrangling will continue ad infinitum. Why exactly did Leonard not go to Spain and wbat mark did bis war experience, nnly hazily referred to, leave nn him? Why, if be la such a good socialist, does being a "forgotten nonentity" wbo was once Auden'a tea-boy worry him? And is his gambling a flaw in his character or a bid to establish working class credentials? Is be, in fact, a fraud and a coward? The role, in the end, does not add un, despite John Woodnutt'a valiant, though often over-projected, efforts to make of him a lovable, mischievous eccentric.

Dansomanie/Paris

Freda Pitt

In alternation with the *Swon Lake* revival at the Paris Opéra which runs until the end of November, the hallet company is offering a delightful double-bill at the smaller house, the Salle Favart.

The word "reconstruction" has a rather cold and forbidding ring, and the name of Pierre Gardel is all but forgotten, like his ballet *Dansomanie*. However, Ivo Cramer, who was responsible for the *Harlequin Magicien par amour* that was included in the Opéra commedia dell'arte programme, has bestowed equally loving attention nn *Dansomanie*, in which be has incorporated five numbers reconstructed by Mary Skeaping during ber Stockholm tenure. This staging has also arrived in Paris via tbe Swedish Theatre of Drottningholm, where it was presented ln 1976, over 150 years after the Stockholm premiere.

Both social and theatrical dance tend to enjoy especial popularity after times of upheaval (as happened in Britain after the Second World War) In 1800 France was just recovering from the bloodbath of the Revolution, and dance knew a craze similar to that caricatured by Gardel in his ballet, which received no fewer tban 245 performances, a record for the time. Its affinities with Dauberval's *La Fille mal gardée*, which preceded lt by a decade, are evident above all in the choice of an ordinary middle-class setting rather than an aristocratic or mythological one.

The victim of "dansomanie" is the foolisb if generally good-natured family man Monsieur Duléger, owner of a château in Savoy. The plot concerns the contrivances employed to cajole him into accepting the neighbouring Infantry colonel Demarsept as a suitor for bis daughter. Duléger's refusal arising from the Colonel's admission that he cannot dance "Vestris' Gavotte"—though the great virtuoso, listed as "Cit Vestris," appeared in the role at the first performances.

While in nn way memorable, the score by Henri Mébul is lively and tuneful; it was incisively played by the orchestra under the suave direction of Charles Farncombe.

The whole cast danced joyously and with lmpeccable style. Georges Piletta's Duléger was all made up of twitches and grimaces, hut very effective ln its way. No doubt Rudolf Nureyev, who was to follow Piletta in the rolc, will bave found a more natural and less superficial approach to the character. Patrice Bart found abundant scope for hls sense of humour, and the Colonel'a uniform concealed mucb of his present rotundity. Monique Loudières made a neat and charming Phrosine (the daughter), while enchanting Elisabeth Maurin stood out in the group of Savoyards who comc tn show Monsier Duléger some dances of their region. Thierry Mongne contributed a bighly comic vignette as the half-witted valct Pasmoucheté.

The two-act "folie-pantomime" was followed by a reduced version of the final act of *Napoli*, staged by Niels Kehlct. The essential buoyancy of authentic Bourbonville style was lacking, but Isabelle Gnerin, Manucl Legria and (above all) Laurent Hilaire gave proof of virtuoslty of a bigh order.

LFB 2/Sadler's Wells

Clement Crisp

LFB 2 is a new departure for Festival Ballet, a concert group of the company's dancers able to take modestly sized works to smaller theatre spaces. It is a welcome development: small hallet can too often mean meagre dance and scaled-down choreography nowadays, hut the repertory on offer in this first London showing of the troupe never suggests cut-down goods (save ln some skimped orchestrations from the chamber accompaniment).

A work new to Festival repertory opened Monday'a bill—Nils Cbriste's *Necessarily So*, which uses Jascha Heifetz's arrangement of Gershwin tunes for violin and piano. The musical settings tend to aggrandize the melodiea in concert fashion, and Mr Christe's choreographic manner takes somewbat the same line with social dance—balleticizing it with swoops and convolutions that cannot conceal a basic bareness of material. But lt is agreeably and engagingly danced, and begins the evening cheerfully.

It is, I feel, unwise to attempt Balanchine's *Chaikovsky pas de deux* without the proper forces—orchestrally tbe piece was miserably reduced, and Katherine Healy provides none of the qualities needed to expose the beauty nf the woman's role. Vinlette Verdy, its unfnrgettable creatnr, was classically elegant, intense in musical feeling, delicious ln femininity. Miss Healy grins and spins. Patrick Armand, tbough, made very good sense of tbe man's choreography, bright and forceful in attack and in skill, and he deserves better from pit and partner.

With Christopher Bruce's *Land*, and the *Donces from Nopoli*, which completed the programme, Festival's dancers were happily seen in their own repertory. *Land*, with its brooding and fine set by Walter Nobbe and its tormented Nordheim score, offers jagged emotinn, and that sombre view of the human condition which so occupies Mr Bruce. It is performed with utter dedication by its cast, Janette Mulligan proving exceptional as the leading woman in contrasted moods nf contemplative grief and agonised protest: hers is a truc and wholly convincing portrait.

The torrent of dances from *Nopoli*'a last act (with the interpolated *Flower Festivot* duet spaced through them) find the dancers in ebullient mood, if somewhat oddly placed against a vast engraved view of Naples that was subject to intermittent hot flushes of colour. But the colour in the dances was strong, with Peter Schaufuss, whose staging this is, in brightest fnrm as Gennaro, Elisabetta Terahust his Teresina, and 12 colleaguea to bound and apring in their wake.

Schaufuss has inculcated Bournonville niceties intn most nf his colleagues, and in their solos Karin Gee, Patrick Armand, Matz Skoog and Darryl Norton gave us the authentic feel of the great Dane's joyous love of the South.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 22–28

Theatre

TOKYO

Takarazuka All-Girls' Revue. The Snow troupe in The Kaleidoscope of Love Plus And Now. This Japanese phenomenon, the antithesis of Kabuki where the girls play the men's roles with typical innocence and earnestness, is a must for foreign visitors. Takarazuka perform elaborately-staged and skilled musical adaptations of both Japanese and Western plays, with revues and standard musicals. Plots are usually highly improbable. While rather frothy, heavy on the effects, Takarazuka provide another insight into the incongruous mosaic of Japanese culture. Detailed English summaries in the programme – in case the original story is altered beyond recognition. Takarazuka Theatre: near Ginza and major hotels. Matinees and evening performances. (591 1711).

Kabuki (National Theatre) Kiichi Hogen Sanryaku no Maki, a historical piece set during the war between the Heiki and Genji clans in 13th century. The Chrysanthemum Garden scene is a well-known repertory piece. (265 7411).

Kabuki (Kabuki-za): The annual star-studded gala performance. Evening: Tsuki Vamadono Shimatsu based on Chikamatsu's The Love Suicide at Amijima. Excellent English earphone commentary and programme notes. (541 3131).

Noh: There are performances at most of Tokyo's Noh theatres at weekends. Details in Tokyo English dailies and Tour Companion available at major hotels. Two handy little books A Guide to Noh and Guide to Kyogen in most hotel bookstores give summaries of plots.

NETHERLANDS

Amsterdam, Bellevue Theatre. The English Speaking Theatre of Amsterdam presents William Gibson's bittersweet comedy, Two For The Seesaw. Maxine Resnick and Grant Coburn directed by Svarupa. All week. (247 248).

LONDON

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern. Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady, Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

WASHINGTON

Night Mother (Arena): Marsha Norman's searing view of a mother and daughter on the night the daughter announces her intention to commit suicide requires a strong stomach for hard-bitten realism. This production by James C. Nicola has Halo Wines as daughter Jessie and Ann Guilbert as mother Thelma. Ends Dec 8. (488 3300).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover, but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Saleroom/Annalena McAfee

Gospels near £1½m mark

A recently discovered ninth century *Gospel book* was sold at Sotheby's yesterday for £1,430,000 — more than fnur times its estimated price. The illominated Carolingian Gospel of St Hubert, first recorded in the early 12th century and last seen in 1932, were bought by a private European collector.

The sale of manuscripts and miniatures totalled £2,233,672 with only 0.9 per cent bought ln, reflecting the security of the lnngest-established saleroom market. A French illuminated manuscript nf about 1470 with the secular theme of the histnry of the world was sold for £132,000 to a private buyer. A rare German book of bnurs nf between 1463 and 1566 was was bought for £82,500 hy the Hampshire dealer Hammond. A fine Parisian book nf hours with 15 large miniatures fetched £37,500.

At Phillips yeslerday a Roman mable statua of Hercules which had been dredgad from a Berkshire lake two years ago sold for £28,000 to an American dealer. The statue was ibe property nf the Agriculture and Food Research Council which recovered it from the lake at its laboratory at Letcombe Regis.

Phillips' furniture sale totalled £277,000 with 18 per cent bought in. The top lnt was a George III rent desk which went fnr £36,000 to a private buyer. Also at Phillips, a sale of continental paintings fetched £206,360 with 19 per cent bought in. The London dealer Mathaf paid £60,000 for an orientalist painting by Leopold Muller.

An ormolu mounted ebony clock by Thomas Tomplon fetched £248,000 yesterday at Christie's salc of clocks and watches. The buyer was lhc Kent dealer Woodhurn. The clock had been presenled at the beginning of the 18th century by William III of England and Holland to Cosimo III dc Medici Grand Duke nf Tuscany. It was still not paid for al the time of the king's death according to a petitinn to Queen Anne from the maker.

A Swiss gold and enamel watch dated 1820 wilh moving figurea nf a harpist and painler on its face fetched £12,960. The buyer was the London dealer Gould. A private buyer paid £10,800 for an elaboralely engraved South German silver tellerubr clock.

TECHNOLOGY

EDITED BY ALAN CANE

Hydraulic torpedo saves old buildings

CIVIL ENGINEERS planning to replace sewers had a problem. The streets in Hitchin, Hertfordshire, through which the sewers run contain several centuries-old buildings which could have been damaged by the roadworks associated with conventional repair jobs.

As a result the engineers turned to a novel technique where sewers are relined with plastic pushed into the existing tunnel with a hydraulically-powered torpedo-type device.

The effort was successful in that 60 metres of polyethylene pipe was laid in two hours without interrupting traffic and with a minimum of disturbance to existing buildings, some of which are 450 years old.

The work was part of a £200,000 sewerage scheme organised by North Hertfordshire District Council, acting as agent for the Anglian Water Authority.

In the repair operation by contractors E. W. Avent of Calne, Wiltshire, the torpedo-type device was fired into the existing sewer, dragging behind it a length of pipe.

A vibrating hammer broke up the original sewer and expanded the pieces into the surrounding soil. The new pipe was laid at up to two metres a minute. Excavation work, an essential part of the conventional trench-digging technique to replace sewers, was kept to a minimum.

Precise etching for superchips

A joint European venture has developed an advanced process which promises to play a key role in semi-conductor production, Peter Marsh reports

A JOINT venture involving French, German and British companies has resulted in an advanced type of etching machine for semiconductor production.

The hardware, made by Electrotech of Littleton-upon-Severn, near Bristol, promises to play a key role in making 1 megabit chips, integrated circuits such as memories that contain about 1m circuit elements such as transistors.

The equipment was produced as a result of a £3m research programme involving Electrotech and two semiconductor-production concerns—Siemens of West Germany and France's Eurotechnique, a subsidiary of Thomson. The European Commission contributed a third of the project's cost as part of a programme in microelectronics research.

> **Tiny segments of material are removed in the same way as a carpenter might chisel a hole in a piece of wood**

Etching hardware plays a vital part in chip production, in particular in building layers of materials on top of the wafer of semiconductor (such as silicon or gallium arsenide) on which chips are based.

Above the semi-conductor are perhaps seven or eight thin layers of other substances such as metals (aluminium or gold for instance), silicon dioxide and silicon nitride. The layers either form conducting paths or act as insulators between adjacent films.

To form connections between these substances, a pattern is first impregnated onto the upper layer in a lithography (printing) step, which normally involves ultraviolet light shining through a glass mask.

The printing process leaves a film of substance such as silicon dioxide partially covered by a hard material, a photochemical resist, which technicians have previously deposited on the surface. The resist layer contains gaps or "windows" that expose tha substance underneath.

In the etching step, a hot plasma (a totally ionised gas) chemically reacts with those parts of the material visible through the windows. Etching machines channel different plasmas to the surface of a layer, depending on the material to be attacked.

These gases normally contain fluorine or chlorine atoms—for instance; they could be carbon tetrachloride, carbon tetrafluoride or boron chloride. Products of the chemical reaction, also gases, are removed by the machine's vacuum system.

In this way, tiny segments of a layer of material are removed, in much the same way as a carpenter might chisel out holes in a flat piece of wood. The resulting cavities are later filled, in other parts of the production process which involve deposition of molecules from gases, with layers of other substances, to form a conducting path for instance.

In current versions of etching machines, the hardware can remove pieces of substance perhaps 1.5 microns in diameter. Hardware required for future versions of chips will, however, require still greater precision.

The more circuit elements are packed into a chip (normally about 0.5cm square) the more the diameter of the removed segments is reduced.

For newer versions of microchips, which contain several hundred thousand circuit elements on a small piece of semiconductor, the distance must be brought down to 1 micron. Electrotech says its new machines, which cost £200,000 to £800,000 depending on capacity, are capable of this performance.

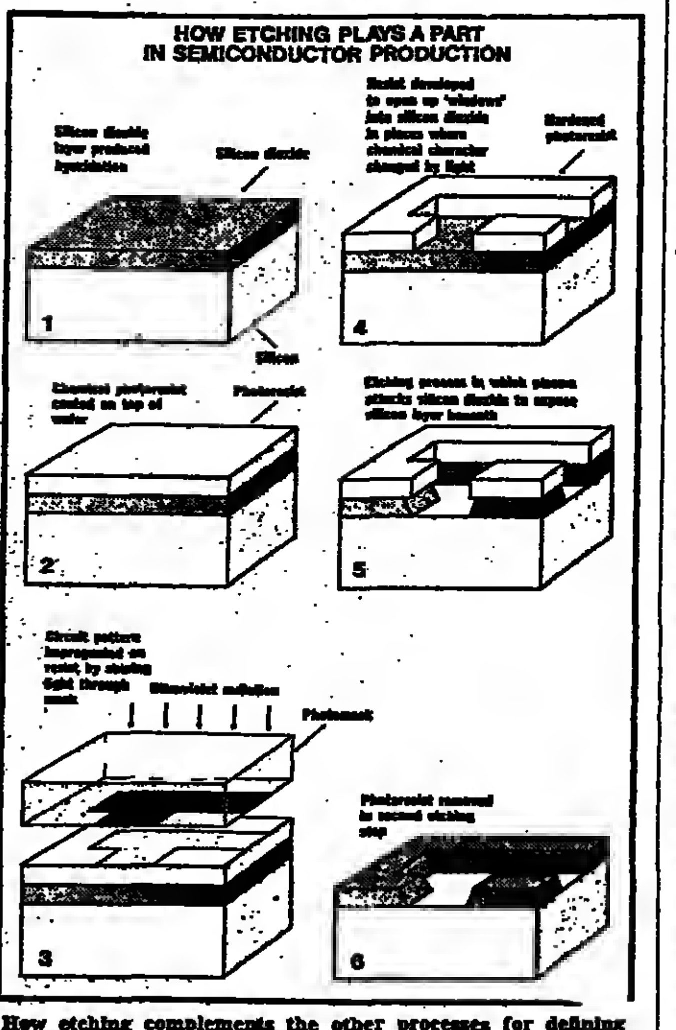
The better precision depends on factors such as the control of the flow of plasma through the machine and the degree to which an operator can alter the heating of individual parts of the plasma chamber and the layer of semiconductor itself. The gas flow is regulated by altering the voltage and current of an electric arc struck across two electrodes.

Under the collaborative research programme, Eurotechnique and Siemens tried out prototype versions of the Electrotech machines on their own semiconductor production lines. Electrotech has orders for four more of the new machines from companies in France and West Germany.

With the new range of hardware, Electrotech thinks it will be in a good position to face up to heavy competition over the next few years from other manufacturers of etching machines. Half the company's £25m annual sales come from etching machines — it also makes deposition and sputtering apparatus, also used in the electronics industry.

> **Better precision depends on controlling plasma flow and the degree an operator can alter the chamber temperature**

World sales for both etching and deposition machines for semiconductors are worth about £90m a year. The dominant companies in this area include Applied Materials, Tegal, Plasma Therm and Lam Research of the US and Anelva and Tokyo Ohka of Japan.



How etching complements the other processes for defining the patterns of circuit elements on a silicon wafer. The procedure above may need to be repeated many times to produce up to eight layers of material above the silicon substrate. Gases used in etching have to attack materials other than silicon dioxide that are used in the different layers.

Standard service on database

ANYONE WITH a suitable computer terminal or microcomputer can now dial a British Standards Institution database to discover what standards exist on a specific subject.

Called Standardline, the new service offers a store of information relating to some 10,000 British standards, maintained by BSI on a host computer operated by Pergamon Infoline. Users register with Pergamon Infoline, which provides passwords and bills customers.

There is no charge for registration. Users are billed monthly for using Standardline and any of the other 40 databases on Infoline.

Users simply dial one of three phone numbers according to the speed of their terminal, enter their password and type "BSI." They then use simple commands learned from a manual.

Users can search by standard number, subject, corresponding international standard and in various other ways.

BSI is on 01-629 9000.

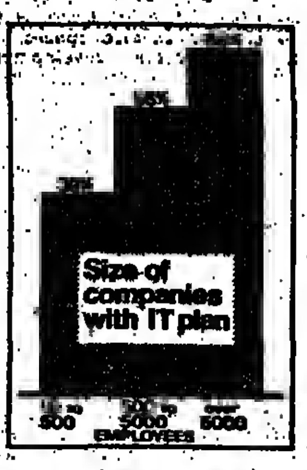
Credibility gap 'deters corporate strategy on IT'

> **Alan Cane looks at why nearly half of UK companies still have no plan for making use of electronic data processing**

AFTER ALMOST a decade of publicity, warnings and exhortations, nearly 50 per cent of UK companies still have no corporate plan for information technology (IT). Eight companies out of 10, on the other hand, plan or have already carried out an IT strategy study.

These are the principal findings of a special survey carried out last month among 340 public and private sector organisations for the Financial Times by the accounting firm Price Waterhouse and the newspaper Computing. Price Waterhouse and Computing have monitored trends in corporate data processing on a quarterly basic for the past five years.

Professor Kit Grindley of the London School of Economics, who designs both the Computing survey and the special Financial Times IT version, notes that companies put forward five principal reasons for undertaking IT strategy studies, only two of which—mainframe computer and communications strategies—were concerned with the technology itself. The biggest single reason given was the need to work to a plan if the potential of the new technology was to be realised.



The survey revealed that 45 per cent of the companies surveyed had no IT plan at all. The list included companies with less than 50 employees and more than 50,000 and in a broad range of industrial sectors from engineering and process control through retailing and distribution to education, research, public administration and finance.

Of companies which had carried out, or were planning an IT study, one in eight was concerned about the future of its management services department in its existing form.

Of those companies which had not conducted an IT study, 40 per cent said there was a lack of top management support for the exercise, while only 5 per cent said they were worried by the cost.

Why, when so many companies are prepared to consider or carry out a strategy study, do they fail to move on to develop an IT plan? The survey showed that almost a third of the companies in this category found it difficult to establish corporate objectives which could be achieved or enabled by using IT. One quarter found difficulty in identifying and measuring the corporate benefits which would result and 15 per cent found the chief difficulty was to involve corporate management in the exercise.

Professor Grindley, a consultant to Price Waterhouse, highlighted the dilemma facing many chief executives: "In the 1960's there was a corporate enthusiasm to sign the computer hardware cheque. In the 1970s, this cheque was spent many times over as costs and the number of data processing experts escalated."

"It was all too difficult and remote and the end user found no way of participating. Now in the 1980s a credibility gap is appearing. A new generation of managers, with cheaper and more friendly technology available, rekindled an informed enthusiasm for using computers. But the management services department, immersed in a backlog of user requests they cannot meet and with most of their experts steeped in yesterday's technology, cannot respond."

"The chief executive sees the potential of IT and he also sees that it does not lie in supporting administration—it lies in supporting front line activities: producing and selling goods and services. But where can he find a suitable team to study what is needed?"

"The frustration of the data processing manager is equally clear. He cannot, on his own, produce acceptable corporate objectives for IT. But, because they suffered from the limitations of yesterday's technology, he often cannot get the collaboration of his senior colleagues in examining today's."

REASONS FOR IT STRATEGY STUDY

Size of company by employees (%)	0-500	500-5,000	5,000+
No plan	23	34	31
End user initiatives	17	16	19
Future management services	13	15	8
Future of mainframes	12	9	10
Use of telecoms	10	7	10
Lack of IT awareness	10	9	7
Proliferation of user devices	7	2	4
Programming backlog	6	5	3
Data processing budget too low	2	3	4

PROBLEMS IN UNDERTAKING STUDY

%	Public sector	Private sector
Establishing corporate objectives	34	32
Measuring benefits	30	22
Involving management	12	17
Knowing the technology	12	16
Staffing the study team	11	9
Knowing how to do it	8	3

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Wednesday November 27 1985

Time to put Europe right

THE Inter-Governmental Conference (IGC) of the European Community, which is charged with reforming the Community's decision-making processes, faces two essential responsibilities. First, it must conclude a package deal which all the member states can treat as a success; second, this deal must carry unquestioned credibility as the start of a new and more dynamic phase in the Community's development. Yet with only five days to go before it reports to the European Summit in Luxembourg next Monday, there is still a serious risk that the IGC will fail to satisfy either of these requirements; they may even prove mutually incompatible.

It is important that the European Summit should be able to chalk up a "success," because the consequences of failure are incalculable. One of the results of the conference process is that some of the member states have, on second thoughts, toned their earlier quasi-federalist rhetoric. But this does not mean that they have abandoned their aspirations, let alone that they will admit that the Community's future development should be hobbled to suit the minimalist preferences of countries like Denmark and Greece. Deadlock on those terms might provoke very divisive—and destructive—reactions in the aftermath of the Summit.

Even agreement on minimalist terms might be almost as divisive, because it would imply that the member states preferred the Community to stagnate in the future as it has in the past. For one thing, the European Parliament could be expected to become much more disruptive.

Treaty

If there is to be agreement, it will necessarily fall short of any maximalist blue-print. But if it is to have credibility in giving the Community new impetus, it must go further than the Danes, the Greeks or Mrs Thatcher would like.

In particular, any reform will have to have the force, the appearance, and quite probably the reality of a treaty document. The UK has long maintained that it does not believe in the necessity for changing the Treaty of Rome, at least as a first step. This may have been a defensible position, but it has been overtaken by events. The only purpose of this conference is treaty-writing or revision; without an agreement which looks like a treaty and sounds like a treaty, it will have failed. Moreover, the deep differences exposed in the conference have further undermined the idea that the Community can count on more majority-voting in the Council of Ministers on the strength of a gentleman's agreement.

Much of the debate in the conference has been about which articles of the Rome Treaty should be converted from unanimity to majority voting. It is common ground that unanimity is already very difficult with ten member states; when Spain and Portugal join in the New Year, it will be more difficult. Since it is also fairly common ground that the Community needs to move more rapidly towards a single, liberalised internal market, there is a clear case for enlarging the scope for majority voting.

This debate has unavoidably spilled over into a parallel, pre-emptive argument about what the Community should eventually look like and how for liberalisation should go. It may prove a useful exercise in itself, or it may not; that depends on whether an agreed programme of action leans towards the minimalist or the maximalist. But it is unavoidable, because the foot-draggers are unlikely to agree to more majority voting, unless they know in advance what they will be voting on.

Even without such treaty revision, the most essential step would be a binding commitment that, where majority voting is applicable, it can be invoked by any member state. The availability of majority voting is not the same as the readiness to use it, and it has been reluctance to use it which has been responsible for past stagnation. As a corollary, the member states should quietly agree that the national veto—the so-called Luxembourg Compromise—will lapse, because it cannot be legitimised.

It may be argued that the IGC's agenda is too long and its time too short for agreement to be feasible at next week's summit: the negotiations must be extended. In terms of detailed drafting, the argument may be sound. But if the summit fails to agree at least on some basic principles, the rest of the world will draw the appropriate conclusion.

Westland seeks a partner

DECISIONS taken in the next few weeks will have a significant impact on the future shape of Europe's helicopter manufacturing industry. The question is whether governments should work together in an attempt to build a strong European manufacturer capable of competing in the world's markets, or whether overall resources would be more efficiently employed if a powerful US manufacturer were to be allowed to gain a substantial foothold in Europe.

Westland, Britain's privately owned manufacturer, is in financial difficulties. In the near future, it needs to put together a financial reconstruction, and to form an association with an international manufacturer capable of filling holes both in its balance sheet and in its work load over the next year or two. The company is strongly inclined to the idea of selling a minority interest in itself to Sikorsky of the US, and there are clear commercial attractions in forming such a link with the world's leading manufacturer.

Sikorsky could help to put work on Westland's shop floor. It would offer access to advanced technology — Westland has successfully built on Sikorsky's design work in the past—and to what is by far the world's most important market place. The US company is privately owned, as part of the United Technologies conglomerate, and has the reputation of being well run, as well as having the prospect of large US military orders in the years ahead.

Collaboration

However, there are also powerful arguments for seeking a European solution, which are mainly being advanced by Mr Michael Heseltine, the Defence Secretary. The four European manufacturers — Westland, Aerospatiale of France, Messerschmidt-Bolkow-Blohm of West Germany and Italy's Agusta—are each too small to be strong independent contenders in a business which requires long production runs to justify heavy development costs.

The four are already actively involved with each other, both in terms of aligning their products to different segments of the market and of actual collaborative programmes. Westland's problems could provide a unique opportunity for bringing them together much more closely, and for advancing the general cause of collaborative defence procurement in Europe.

By contrast, the arrival of Sikorsky might set back the collaborative effort. In particular, European efforts to develop a new middleweight helicopter for the 1990's—the NH 90—would be undermined if Westland started to build an anglicised version of Sikorsky's Black Hawk.

The question is whether these arguments can be converted into practical proposals, and at what cost. The European companies have all developed under the tutelage of their own defence ministries, and it is far from certain that welding them together in some way would lead to increased manufacturing efficiencies. There would be a strong temptation for governments, which are much the most important customers, to insist that orders should be allocated on political grounds, and scope for endless arguments about how the industry should undertake the rationalisation programmes which are necessary. The cost of building a European helicopter manufacturer might prove to be a heavy burden on the taxpayer.

The British Government has a legitimate interest in the fate of Westland. Apart from its substantial purchases of new helicopters, it spends around £60m a year with the company on spares and support services. It has a strategic need for continuity of supply both in terms of parts and product development, and is right to explore the European option as thoroughly as possible. Since policy decisions of this importance should not be made under pressure, there may be an argument for extending Westland's financial deadline—a task which should not be beyond the ingenuity of the accountants and bankers who imposed it in the first place. In the end, Westland will have to find a solution which makes commercial and financial sense. The Government will need to be very wary of overriding commercial arguments in favour of political goals, however attractive they may seem.

FRENCH BROADCASTING

A noisy entrance to a new TV age

By Paul Betts and David Marsh in Paris

"WE ARE not a Coca-Cola television nor a spaghetti TV, but Beaujolais and perhaps Champagne on Saturdays."

That is how Mr Silvio Berlusconi, the ebullient Italian private television magnate describes his new French commercial television project which has provoked a new and, even by French standards, highly vocal political row in France.

The dispute is dividing not only right and left, but the Socialists themselves, and has brought a crescendo of protests from the French film industry, French language broadcasting and publishing groups and other powerful lobbies.

By granting France's first commercial television licence to a Franco-Italian grouping linking Mr Jerome Seydoux, head of the Chargeurs industrial holding company and one of France's ten richest men, and Mr Berlusconi, President Mitterrand has sent shock waves through the French political ether. When it starts next February, the commercial channel will mark the first concrete step to the deregulation of broadcasting in France. At present France has three state-owned networks and the state-backed Canal Plus pay television channel.

The move has major implications for France's role in the international communications arena, drawing in, among others, global TV entrepreneurs like Mr Rupert Murdoch.

President Mitterrand has sought to make the opening up of new communications opportunities and techniques a feature of his presidency. During the past three years, his administration has pressed a range of technological initiatives which add up to a programme of unparalleled ambition and cost. They include a FFr 60bn (£5.2bn) drive to wire up France with optical fibre cables; Europe's first direct broadcasting satellite TDF-1, due to be launched next autumn; and a costly state-financed campaign to instal free of charge in homes and offices throughout the country several million videotex data screens.

However, in a country where broadcasting has always been closely tied up with the power of the state, none of these schemes has provoked anything like the furore which has greeted the new channel.

The right-wing opposition, which is expected to win a majority in the National Assembly in the March elections, has predictably seized upon Mr Mitterrand's friendly links with Mr Seydoux.

The head of Chargeurs, which controls France's UTA airline, he is a member of the Schlumberger industrial family and the spiritual heir of the former Schlumberger chairman, Mr Jean Riboud, a long-time confidant of Mr Mitterrand, who died last month.

The opposition also respects Mr Berlusconi, who runs Italy's Fininvest private television empire and is a long time friend of top Italian Socialist Prime Minister Mr Bettino Craxi. Indeed, Mr Craxi is understood to have suggested Mr Berlusconi's participation in the French network at a Franco-Italian summit earlier this year.

During his long years in opposition, Mr Mitterrand frequently attacked former president Giscard d'Estaing's close links with the country's communications barons, once claiming that Giscard was waging "a Kriegspiel against freedom of information."

But resistance to the Berlusconi channel has also come from leading Socialist politicians, including Mr Jack Lang, the Culture Minister. He senses a threat to France's cultural integrity, since the fortunes of the Italian magnate have been built upon a popular concept of television drawing heavily on imported American and Brazilian soap operas, "B" movies, quiz and variety shows. Socialists like Mr Lang see the Mitterrand decision as a welcome mat to Coca-Cola culture.

Mr Berlusconi, through his association with Mr Seydoux, will now have access to one channel which can transmit in four different languages on the French TDF-1 satellite. TDF-1 will have the potential to beam programmes to about 200m viewers across Western Europe next year. Mr Berlusconi, who is in advanced negotiations to bring Spanish broadcasting interests into the French television venture, speaks expansively of turning Paris "into an epicentre of European TV production."

One of Mr Berlusconi's associates in the satellite venture will be Mr Robert Maxwell, the proprietor of the pro-Labour London Daily Mirror, who was granted one of the four TDF-1 channels on the same day as the Seydoux-Berlusconi announcement. This will give Mr Maxwell a powerful tool to compete in his global communication skirmish with Mr Murdoch, who not only beams programmes to Europe through his Sky Channel satellite network, but has also recently acquired 20th Century Fox, the Hollywood film company, as well as six US TV stations.

Mr Mitterrand argues, in effect, that he had no choice but to move and move swiftly on the commercial TV decision, since both the domestic political and the European communications landscapes were becoming hostile to his ambition.

In France, the Opposition has made it clear that if it wins next March, it will privatise one or two of France's existing state television channels. One is virtually certain to end up into the hands of Mr Robert Hersant, the right-wing owner of Le Figaro and an implacable opponent of the Government.

At his Press conference on Thursday, Mr Mitterrand openly and sarcastically voiced his worries that the French second state channel, Antenne 2, would be sold off after the elections at a low price. "No doubt," he said sardonically, "to a champion of culture and a man of scruples over news coverage."

On the international front, Mr Mitterrand had become increasingly uncomfortable about stirrings of independent ambition in Luxembourg, no longer playing its traditional role as a fiefdom of the French Government. Two years ago, the French Government successfully opposed a plan by the Grand Duchy to put up its own television satellite and so increase the influence of the Compagnie Luxembourgeoise de Telediffusion (CLT).

Through the Havas media and advertising ground (which also controls the Canal plus pay tv network), the French Government owns an important minority stake in CLT, but this has not prevented CLT slipping increasingly under the influence of its main shareholder, the Belgian Bruxelles-Lambert financial group. CLT had mounted a strong bid for the French private tv channel through its offshoot Radio Tele Luxembourg (RTL) in association with Europe 1 and Radio Monte-Carlo, its two rival French-speaking commercial radio stations. CLT had also been hoping for a stake in the French satellite TDF-1 under an agreement signed last year.

With its French ambitions now apparently dashed, CLT may now be tempted to turn towards New York and Los Angeles rather than Paris.

Mr Murdoch is likely to be offered a stake in the Grand Duchy's revival plan to launch a telecommunications satellite in 1987. This is now, unlike previous satellite projects, backed by a powerful group of European investors.

But CLT has not lost all hope of launching a private television network in France. Mr Jacques Rigoud, CLT's chief executive, decided to take legal action on Monday to try to stop the Seydoux-Berlusconi project.

Facing the combined criticisms of right and left along with protests from the French film industry and publishing groups, Mr Seydoux appears nonetheless unruffled at the way the spotlight has swung round onto his normally secretive business approach. Typically, in a country where industrial and political affairs tend to become intertwined, one background worry for Mr Seydoux comes from hints from the opposition that—if returned to power—the right could pose problems over route allocations for his UTA long-distance airline.

The right has also said it would seek to withdraw Mr Seydoux's television operating licence. In defence of his project and what he regards as a binding 18 year licence agreement with the government, Mr Seydoux says he intends to create "quality television" based on entertainment. Programmes of French origin would supply 50 per cent of output within five years.

Initially planned for three to four hours a day of prime time viewing, the channel will at first have no news programmes. It is scheduled to expand to 18 hours a day and reach 28m French viewers by the end of next year. When it goes on the French satellite, the channel and the same programmes will also be broadcast in three other languages, one of them English, as well as French.

Mr Seydoux, who leads a group of French investors owning 60 per cent of the network compared with Mr Berlusconi's 40 per cent share, is prepared to open up the French shareholding to outside Press and film industry interests. In so doing, he is trying to defuse criticism from the French film industry that he will be both lowering standards and driving the public away from the cinema.

Mr Seydoux, whose new venture will cost FFr 1.5bn to launch in the first year, is also clearly anxious to spread the financial risks of what he calls his "television adventure." Underlining the fragile commercial basis of television in France, Mr Seydoux points out that France, the West's fourth industrial power, ranks only 15th in terms of the size of its advertising market.

Indeed, the limited reservoir of additional advertising revenues the industry believes to be available for television, estimated at only between FFr 1bn-FFr 1.5bn a year, against current revenues of around FFr 3bn, seems to have persuaded the Government to shelves last summer's plans to bring in another nationwide private television network. But a film-based commercial TV diet has already shown it can work in France.

The one-year-old Canal Plus television channel, after a shaky start-up period, is now showing signs of improved finances and hopes to break even next year. The pay TV channel, run by Mr Andre Rousselet, the Havas chairman and another long-standing friend of Mr Mitterrand, looks likely now to top its forecast of 670,000 subscribers by the end of the year.

Mr Seydoux's confidence is boosted by the special advertising terms he has secured from the Government to help the launch of the new network. For the first time, he will be able to advertise beer on French television as well as to carry commercials for the large stores, the travel and tourist trade, and the press. Up to now all these sectors have been forbidden to advertise on television. The new rules will divert revenues from the already hard hit newspapers helping to explain some of the opposition that the television proposals have attracted.

It is a sign of the haste with which the Seydoux-Berlusconi project has been conceived that only three months before it goes on the air, it is still searching for office premises in Paris. Although the project is hedged around an unusually large number of political and financial risks, viewers at least can be relied upon to tune in en masse on March 16, to see whether the new channel is airing an Italian western or an American Mafia drama. March 16 is election night.

Silvio Berlusconi (left) and Jerome Seydoux pictured at the announcement of the new station in Paris on Friday

TV's SHARE OF THE ADVERTISING CAKE

	W. Ger. %	Belgium %	France %	UK %	Italy %
Press	80.4	72.7	56	62.5	46.0
Television	10.8	11.5	18	31.0	42.2
Outdoor Publicity	3.7	14.2	15	3.6	6.0
Radio	4.3	0.1	9	2.3	5.8
Cinema	0.8	1.5	2	0.4	0.8

Source: IREP—le marché publicitaire français 1984-1985

Eurovision contest for Berlusconi

SILVIO BERLUSCONI is a unique Italian phenomenon. The flamboyant 48-year-old television magnate has gone from being a Milanese property developer to one of Italy's most powerful men in just five years.

Along the way he has been attacked as an importer of the worst of American commercial television, as a man who has benefited from his personal friendship with Prime Minister Bettino Craxi and as someone who has too much power in the all-important field of mass communications.

Whatever is said about Mr Berlusconi, there can be no denying the fact that he is a hugely successful and talented entrepreneur, a modern Milanese merchant who has transformed an original idea into a vast television empire which has thrashed the state RAI television system.

Mr Berlusconi's idea was to circumvent the law which made it illegal for anyone but the Government-owned RAI to operate a bona fide nationwide service.

This he accomplished by buying up dozens of local stations and then linking them by simultaneously broadcasting videotapes distributed by motorcycle couriers. The result was the illusion of a national network.

Advertising was the key. By acquiring old US serials, soap operas such as Dallas and tapes of American football, he attracted hundreds of advertisers, both Italian and multinational. Most of the advertising is for consumer products. An important side-effect of the Berlusconi strategy has been to boost demand for the most heavily promoted brands of detergents, soft drinks, pasta and many other products.

Mr Berlusconi started his career in the early 1960s in the construction sector.

In 1979 Mr Berlusconi bought a 37.5 per cent stake in "Il Giornale," a right-of-centre newspaper founded by ex-journalists from the Corriere Della Sera. He also owns Sorrisi Canzoni TV, an Italian version of Radio Times which has 2.4m subscribers. Beginning with his flagship Canale 5 television network in 1980 Mr Berlusconi then bought two others—Italia TV 1 and Rete 4.

At present his three private networks are running neck and neck with the three RAI stations.

The number of people employed by Mr Berlusconi's master holding company—Fininvest — now stands at 4,000, of which half work in television. The three RAI networks, known disparagingly as "La Mamma RAI" by its state-paid employees, have a workforce of 13,500.

Television analysts in Italy say that as Mr Berlusconi seeks to obtain higher value advertising, he will have to go upmarket in quality terms as well. Meanwhile he is excited at the prospect of his new partnership in France's first commercial channel and is negotiating a similar venture in Spain. His dream is to create "Europe-wide" television.

Alan Friedman

Engineers of change

Two pairs of inventors share the £25,000 MacRobert award for engineering this year — the first time in 16 years that it has been split.

Peter Stewart and Alan Stubbings, of the advanced projects department of Rolls-Royce at Bristol, earned their half of the "British Nobel" with the fruits of a 15-year quest to make aero-engines transparent with X-rays, to help designers see how the engine gases flow — and leak.

Us of this "non-invasive" technique added 140 hp to the 960 hp Gnome helicopter engine.

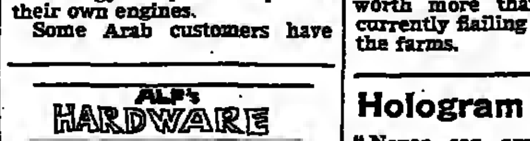
Rolls-Royce chairman, Sir Frank Tombs, who also collected a MacRobert medal for the company from the Duke of Edinburgh yesterday, said its "partners," Pratt and Whitney and General Electric in the US, had snapped up the chance to use Stewart and Stubbings's technology to peer deep into their own engines.

Some Arab customers have also been keen to use it to look inside large, sealed containers to discover whether they concealed weapons or alcohol stills.

The other half of the award went to Wilf Klinner and Oliver Hale of the down-to-earth National Institute of Agricultural Engineering at Silsoe, who have invented a way of drying grass faster, without loss of nutrients, for animal feeds.

The knack is to flail the grass gently in a way that accelerates drying without damaging the crop. It could lead to new ways of harvesting cereals, it was hinted.

The invention has already been a tremendous commercial success. Some 54,000 machines, worth more than £160m, are currently flailing away down on the farms.



"What's it this morning—death of the small shopkeeper or failure of merger talks with Sir Terence?"

Men and Matters

Hologram first

"Never say anything is the first," a wise old editor once told me, "You can be sure it isn't."

So perhaps I was rash to quote Ron Brierley, head of the Sydney-based investment company Industrial Equity, when he claimed that a hologram picture on the cover of his annual report was the first application of that kind in the business world.

Russell Hogg, president and chief executive of MasterCard International, has weighed in from New York with a copy of his 1982 annual report.

That too carried a sparkling hologram on the cover. I cautiously suggest that this was probably a world first.

Hogg says that MasterCard produced the hologram design on his report to mark 1982 as the year the group started using a hologram on its credit cards as an added security measure.

And it has proved a winner. He says, "MasterCard has not had a single instance of credit card counterfeiting involving use of a hologram card."

Newman's round

Alastair Morton, chief executive of Guinness Peat attracted acceptances of only 0.28 per cent from Britannia Arrow shareholders by the time his first offer for the investment management, banking, and insurance group, closed yesterday.

But Morton, aged 47, who has stamped his buccaneering style upon GP in the last four years, is expected to be back with something juicier for them.

Spare a thought, then for Michael Newman, a deceptively mild-mannered financial man, aged 40, who as the rebuilder of Britannia and its chief executive for the last six years finds himself at the wrong end of this shooting gallery.

Life has not been the same for Newman since he was pulled from his morning bath to take a peremptory phone call from Morton, seeking a meeting, at 7.15 am on October 28.

Newman's complaint is that a lot of management time at Britannia is being wasted on the bid defence that could be used to greater profit running the business.

Newman has spent every moment of his own time getting over his message—"Fly Away, Guinness Peat"—he wanted to put it even more strongly—and has been closely involved in writing the defence document and the lively series of defence advertisements.

He is seeing at least two City institutions every day to tell them how good Britannia is. And there is also the more shadowy jousting in the international lists of Wall Street and London in the hope of finding a White Knight of suitably impeccable gallantry.

Knowing that it is unlikely that Britannia can remain independent—though that is what he would prefer—he says his main concern is to secure "a premium price for a premium company."

He has publicly declared he would not work for Morton. "I've never been taken over before. And, after 13 years with this group, I feel a personal sense of outrage," he says.

Crime filed

Crime is alive and well and, it seems, living in the boardroom.

I wrote about Legal Industrial Espionage, a book produced by consultants Eurofi detailing how companies bend the law without breaking it.

Sharp-eyed members of the West Midlands Engineering Association attending a Birmingham seminar a few days ago took my words to heart. While Gay Scott, who was manning a publication stand, turned her back the two copies on display, each selling for £35, disappeared.

No one took the EEC guide to grants and loans she adds.

Bank on Liverpool

Members of the Merseyside Chamber of Commerce and Industry are vexed at the slowness, or failure, of the Liverpool city treasury to pay trade creditors.

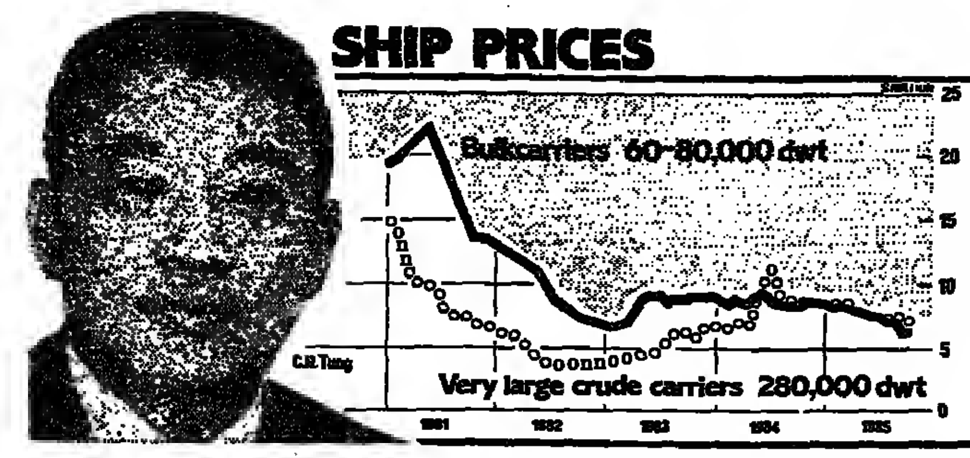
It is all part, of course, of the campaign by Derek Hatton, deputy council leader, and his Militant Tendency supporters for the near-bankrupt city to defy the Government.

But nothing dampens Scouse wit. The businessmen have renamed the treasury the Chase Mad Hatton Bank.

Observer

World shipping finance

Anxious days for the banks



By Andrew Fisher, Shipping Correspondent

IT WAS a shock powerful enough to shake even the most hardened and phlegmatic of shipowners and bankers.

Used as they bave become to collapses and near-collapses in shipping, the problems of the Hong Kong-based C. H. Tung Group are some of tha industry's severest for years. Tung's difficulties first emerged in September, but their full importance became clear last week.

The news was especially alarming coming so closely after the collapse of Sanko Steamship, the world's largest tanker company, which filed in August for protection under Japan's bankruptcy laws with liabilities of some Y1,000bn ($5bn).

But the operations of the Tung Group in deep-sea and off-shore shipping and container terminals are more widely spread around the world and have been financed by e bost of international banks.

Most shipping markets bave been in the doldrums for several years, so banks have become more and more worried. But the situation is now so serious that most are cutting back on loans to the industry, or pulling out.

It was not just the size of the debt owed by the Tung companies that shocked the industry, though at around $2.4bn (£1.7bn), it is higb by shipping standards. It was also the fact that the Tung name, one of the best-known, bad shown itself fallible.

In the 1980s, shipping bas suffered from over-supply, exacerbated by the expansioniat ambitions of many shipowners. In Hong Kong, the contrast between the growth-oriented policies of Mr Tung and the more cautious banker-like approach of Sir Y. K. Pao, has been marked.

While Sir Y.K. bas trimmed his fleet, has no ships on order and has diversified his companies into property, airlines and other businesses, the Tung Group has mostly expanded in the maritime sector, with a current programme of 25 new ship orders in Japan for container, tanker, and bulk cargo vessels.

Under a restructuring plan, a new container group will be formed from Orient Overseas (Holdings) Ltd (OOHL), the Tung company quoted in Hong Kong. The idea is that the 23 container ships will continue to trade porfitably. but separately, and belp cut OOHL's indebtedness of over $1bn.

In Tokyo, the 70 international banks owed a further $1.2bn by the private Tung companies—at the centre of the group's difficulties—have discussed with Mr Tung how to restore interest payments. which stopped in September.

Mr Tung and his managers gambled that markets would turn up and that owning modern ships would then pay off. But it has proved a costly mistake. As Mr Tung said last year, "Shipping today is no joking matter. It is so bad we can hardly smile."

There is certainly little to smile about now. Banks, already jittery after the recent failure of Sanko and of Sweden's Salen and Irish Shipping a year ago, are even more anxious.

Keen in the past to lend to owners, they now find the going anything but smooth. "It's a rumour-ridden market," says Mr Dan White, shipping analyst with UK stockbrokers Laurence Prust. "The industry's full of black propaganda."

Thus the spotlight is falling more and more on the big names. Many believe the full impact of Sanko's bankruptcy has yet to be felt in shipping and shipbuilding markets. Sanko astounded the industry in 1983 by ordering 125 bulk carriers, most of which have been delivered.

Those who take over operation of Sanko's ships will not have to bear their heavy financing costs and will thus be eble to run them more cheaply and et lower rates.

The Tung problems could have a similar effect. Some shipowners feel the scale of the latest problems will also make it harder for other companies to raise money.

In past years, this has been far from the case. Rough-and-ready estimates put tha size of the banks' exposure to shipping at up to $70bn.

A sizeable slice of this must now be at risk, though banks are coy on the state of their shipping portfolios. ECS Marine, a British credit rating company, estimates banks will have to write off as much as $20bn of their debts in the next few years.

ECS reckons this is conservative, though not all banks are so gloomy. But one of the biggest, Bank of America, has cited shipping as a big problem area. In recent years, it bas been an enthusiastic lender to the sector.

Whether in Hong Kong, Scandinavia, or the US, there is no shortage of speculation about well-known companies being in trouble. "An awful lot of shipowners are very, very stretcbed," said Mr John Scully, a senior vice-president responsible for ship finance at Morgan Guaranty in New York.

Few would bave forecast a few years ago that most freight rates would still be so low in 1985, thus preventing owners of new, fuel-efficient ships from covering their financing and operating costs.

Tanker rates, however, long depressed, hava shown some recovery, though from very low levels.

Spending on supertankers was heavy in the early 1970s. But the latest investment spree has been in container shipping, wbere Evergreen of Taiwan and United States Lines have led with $1bn investments in ships and equipment.

As e result, rates in containerised liner (scheduled service) shipping bave also been sliding. McLean Industries, parent of US Lines, bas forecast a 1985 loss and profits of US groups like Sea-Land and American President hava dropped sharply.

Proving that investors are not wholly disenchanted with shipping, howevar, Mr Harold Simmons, a Texas businessman, has just tabled a bid for Sea-Land, valuing it at $580m.

He is clearly taking the longer term view, as efficient groups like Sea-Land can earn impressive profits in good times. A surge in US imports from Asia made 1984 a bumper year on the Pacific, bnt trade bas since slowed sharply. Yesterday, Sea-Land rejected the bid.

As shipping markets have fallen, so have second-hand ship prices. Thus bank loans are usually no longer covered by asset values, prompting many to daal more harshly with clients.

Morgan Guaranty did this late in 1983, with Hellenic Lines, run by Mr Gregory Callimanopulos. Over-expansion had contributed to a dire financial situation at the Greek liner company, and the family owners would not put up any equity.

So after a default on an $80m credit, Morgan as the lead bank began to have the ships arrested. The financial cleaning-up process, including resale of the vessels, has taken two years.

Some bankers saw the Hellenic foreclosure as a watershed for the industry, after which banks began to stop nursing clients and hardened their bearts.

Morgan prefers not to view it that way. But there is no doubt that the Hellenic affair worried the industry, especially Greek shipowners.

Since then, conditions have only worsened. Copying Sanko and boping retes would recover, other owners took advantage of low prices at Japanese shipyards to order bulk carriers. Yarda face the likelihood that many ships will never be collected or fully paid for.

Among US banks with burnt fingers from shipping is Continentel Illinois, rescued last year with a $4.5bn Federal bail-out. Just under $400m of its shipping loans were taken over by the Federal Deposit Insurance Corporation. It was also e lender to Hellenic.

Marine Midland Bank of the US is making an exit from most international ship lending. "It's all very sad," says Mr Michael Revell, bead of the bank's shipping group and a well-known figure in ship finance. Marine Midland is letting most of its remaining $400m of shipping loans run down.

Banks increasingly emphasise the naed to lend not just on ship assets, but on cargo and employment prospects. Owners are also being pressed to put up more equity.

Ironically, Marine Midland's majority owner with a 51 per cent bolding is the Hongkong and Sbanghai Bank, now immersed in the debt problems of the Tung Group, where the difficultiea of the private companies bava strained the finances of OOHL.

"The Tung situation makes everyone nervous," said Mr Revell. "Banks bave generally been guilty of over-generous lending dne to tha competitive environment."

A UK shipping executive thinks the banks carry even more of tbe blame. "All those expensively suited senior vice-presidents in the shipping departments are getting a bit worried."

Meanwhile, in his London office, Mr Revell monitors the market with the aid of a large wall map. Little white markera show tbe location of ships the bank has had, or may bave, arrested. Their unlucky or unwise owners have defaulted on loan payments, or are sailing financially too close to the wind.

Gatt and trade in services

How we can resolve the North-South debate

By Jagdish N. Bhagwati

THE question of bringing world trade in services under an international compact, in the way the General Agreement ou Tariffs and Trade oversees goods trade, casts a shadow over the annual Gett meetings that started on Monday.

The edversaries are familiar. The US leads the efforts to include services in the proposed new Trade Round. India, Brazil, and Egypt are among the important developing countries that object, threetening the initiation of the Trade Round if Gatt is to operate under its traditional consensus. US ire is evident in open threats to penalise these countries for recalcitrance. Mr Clayton Yeutter, the US Trade Representative, suggested in recent Congressional Testimony the exclusion of these countries from e renewed generalised system nf preferences by the US—concessions given by developed countries to imports from the developing world. Proposals are also circulating suggesting the regional, bilateral route with "like-minded nations" if necessary.

The confrontation is most unfortunate. Bnt the "high noon" atmospherics ie avoidable if only the US, and its sympathetic but circumspect allies such as Mrs Thatcher's Government, address these developing countries' concerns.

The key lies in recognising that, despite the occasional rbetoric on behalf of world efficiency from baving e service trade compact, the US negotiators have unwittingly tended to focus on services of interest to them instead of seeking mnttuality of interests within the broad service sector itself. This has much to do witb the factors that have propelled the US into its catalytic role on service trade.

Certainly the farce of the economic philosophy of free trade, and the obvious logic that it sbould apply to service transactions as well, has been important. However, the principal thrust has come from lobbying by specific service sectors. Successful political pressure has resulted from the global ontreach desired by multinational banks and corporations in the telecommunications sector, and later by companies providing insurance, accounting and other business services.

In turn, arguments of national interest have served to buttress these efforts. Increasingly, US export advantage is seen as baving shifted to service transactions. It is, therefore, considered unfair to have US markets open to goods while foreign markets are closed to US aervices. This is simply another instance of the increased demands for "level playing fields." Also the insistence on opening foreign markets to US service sectors is part of the strategic alternative to a protectionist response to the trade deficit.

As a result, the notion has spread that service trade is for the export benefit of the developed countries. The mutuality of interests in trade negotiations must come from developed country gains on trade in services and daveloping country benefits from trade in goods.

The economic philosophy of free trade

But these positions appear unfair and bence unacceptable to the objecting developing countries. If service negotiations are going to reflect the export interest of the developed countries, what do *they* get?

"Roll-backs" of voluntary export restraints "standstill" on new protection, on goods of interest to the developing countries have bean suggested. But the developing countries see all recent and threatened trade barriers on goods as *de facto* violations of Gatt obligations anyway. Protectionist roll-backs and standstills on goods trade are seen therefore, not as concessions, but as acceptance of existing Gatt obligations. In short, since services are a *new* area not contempleted as subject to the original Gatt protocol, they think they ere being offered a raw bargain: an unrequited concession on services masquerading as e *quid pro quo* agreement.

The *quid pro quo* must, therefore, be eought within the service sector itself. Among tha most obvious services wbere many developing countries have recently developed such trading advantage is in the construclion seclor.

South Korea, Iodia, the Philippines, Egypt, Pakistan and a growing number of developing countries arc alrcady waiting to do again in the developed countries what they have been doing in the Middle East: building highways, bospitals, scbools and playgrounds, using skilled and unskilled labour from bome.

There is also an added advantage in enlarging the scope of service trade negotiations In this way. The obvious difficulties in moving towards a freer market in such services as construction would bring home to the developed country negotiators that their nations elso have serious difficulties with opening their markets, fast and fully, in service sectors such as banking and telecommunications.

Thus, banking raises issues of fiduciary and monetary control, wbereas telecommunications is generally regarded, not just by Iodia and Brazil but also by France, as e field that simply cannot be left to the market place.

In short, we cannot realistically expect that sucb service sectors can be brought altogether under a Gatt-type "rule of law" trade regime. "Who gets what," not just "what rules do we play by," becomes a critical queation. Quantity outcomes become relevant. The analogy has to be partly with armaments negotiations: we would not expect nation states to leave the location of defence production to be determined by market forces.

It is evident, therefore, how we sbould proceed. The scope of the negotiations must be augmented to include service transactions such as construction where the developing countries enjoy export advantage. Generous safeguards abont the volume of trade ahould be permitted in sensitive sectors such as bankiog, telecommunications and construction. Developing countries would then recognise true mutuality of advantage and fairness, rather than the current *force majeure*, in the service-trade compact that is sougbt. This could indeed bring them on board.

The author is Arthur Lehman, Professor of Economics at Columbia University, New York.

Letters to the Editor

Curbing EEC grain output

From the Managing Director, Tore Mill

Sir,—Until the German Minister of Agriculture last April blocked the expected reduction of grain prices, most people in the grain trade believed a slow but satisfactory policy existed—gradual reduction of EEC to world prices with a faster reduction of support prices to control CAP expensea.

We bad begun to formulate animal feed rations with e higher proportion of gralns, expecting them to be competitive with "cereal substitutes," and looklog forward to changing livestock operations with cheeper domestic inpnts.

That the processors and merchants can provide a cure for the surplns, and benefit both themselves and the general public, is being overlooked in the wish to find a reducing farmere" solution of reducing supplies and maintaining prices.

It is particularly ridiculous that after a disastrons Scottish harvest we now find that wbeat and barley stored in Intervention is unsuitable for milling and malting and that we bave to import from selwhere. This completely misses one possible benefit that migbt bava existed from Intervention. The grain in store will still bave to be subsidised for export.

The answer to the grain surplus was there—is still there—a gradual but defiuite reduction in prices over a suitable period of tima to allow cereal farmers to adjust their cost structure and processors lo expaod their capacity, while at the same time curtailing disposal costs by increasing quality standards for Intervention.

O. T. Griffin,
Harbour Road,
Inverness.

Dispute over Tribune

From Mr John Silkin MP

Sir,—My attention bas been drawn to an article by Ms Van Hattem (November 22) nnder the beading "Dispute over Tribune settled." For the sake of accuracy I should like to point out the following.

The dispute did not begin when the paper attacked me as the Party's Defence spokesman.

The dispnte arose over tbe purported issue of shares to certain members of the staff in an attempt to wrest shareholders' control from the existing shareholders.

When the action started I was not a shareholder let alone a principel shareholder. My total shareholding since then has increased from zero to one.

At no time have I issued a writ against the paper or any member of its staff.

While I would not agree that Tribune under Nigel Williamson has become "reliably dull," at least reliable dullness is better than slipshod untruthfulness.

John Silkin,
83-91, Victoria Street,
London, S.W.1.

Paid pipers not playing

From Mr R. Inchley

Sir,—What a topsy-turvey world that we should allow those wbom we elect and pay not to allow us to witness them at their work. Surely we should be doing the voting?

R. A. Inchley.
9 Dale Meadow Close,
Balsall Common,
Coventry

Investing funds

From Mr A. Wilkie

Sir,—In 1984 life assurance companies and pension funds invested some £16.5bn, of which £4.7bn was lent to the government and £5.1bn was used to buy UK company securities.

London Business Scool suggests (November 25) that next year companies' contributions to pension funds could be reduced by £5bn a year, with a resulting increase in corporation tax payable of £1.75bn. This would result in companies having £3.25bn in their own accounts for investment either in capital projects or in securities instead of baving £5bn in their pension funds.

Who would then fund the PSBR, and who could then buy British Gas?

A. D. Wilkie,
R. Watson and Sons.
Watson House, London Road,
Reigate, Surrey.

Availability of C & W

From the Chairman, Wider Share Ownership Council.

Sir,—Reviewing the Cable and Wireless prospectus, Lex (November 20) comments that "it seems illogical to offer (institutional) investors high fees and a cut price for shares which which they are anxious to buy in any case."

This must surely qualify as the understatement of the year. Sucb arrangements are not just illogical; they are manifestly negligent of the interests of the existing owners, i.e., the taxpayers. The process was, of course, originally and most forcefully exemplified by the British Telecom issue, where the shares had special features which made them demonstrably more ettractive to individuals than to the institutions for whom so large o proportion of them was reserved.

This council, as must by now be well known, takea the view that it is, in general, better for shares to be owned directly by individual citizens than by the trustees of pension funds over whom citizens bave no control. Leaders of at least two of the three political parties are on record as bolding similar views. Yet privatisation issues, which constitute the biggest and most welcome encouragement of wider share ownership yat seen, are still not so constructed as to maximse personal acqnisition of the shares. Even the increased pnbic availability envisaged in the C and W issue is apparently to be ensured only if the issue is beavily oversubscribed.

The C and W prospectus is a welcome step in the right direction, but it does not go naarly far enough. If the institutions are not merely prepared but actually disposed to acquire privetised stock, why can they not simply act as underwriters in the normal way —and for the standard fees?

Edgar Palamountain.
94, St Paul's Churchyard, EC4.

Lawyers and their assistants

From Mr N. Sherrard

Sir,—In pinpointing the relnctance of many practising lawyars to involve themselves in detailed figurework, Mr Giddy (November 22) has identified a major stumbling block to the satisfactory resolution not only of commercial fraud cases but of much other litigation.

The solution, I wonld suggest, lies not in greater specialisation of legal personnel but in more thoughtful selection of the right professionals to assist. While many counsel mey, rightly, be unwilling to perform e mass of detailed unravelling, most will look kindly upon a well-reasoned and lucidly expounded analysis of the very matters which hinder their own nnderstanding of and, bence, their ability to present the case.

Barristers and solicitors are experts in the law; they are seldom accountants or doctors. Nor is it reasonable to expect them to display a full mastery of a discipline which is not their own. The lawyer's need is for proper briefing on matters in which be is not expert by an adviser possessing the necessary background. Most lewyers are neither innumerate nor incapable of understanding the complexities of accounting metters, as long as these are explained in e properly digestible fashion.

It seems no more sensible to expect lawyers to regard as routine much of the work which Mr Giddy describes than to esk counsel in a murder case to condnct the autopsy. In either instance, specialist assistance should be called for as a matter of course. The drafting of a suitable specialist on to the legal team, preferably from an early atage, leavea counsel free to concentrate on his principal tasks of mastering his brief and communicating its content to judge and/or jury. In general, a better presentation of the casa results and costs are saved by engaging specialist personnel for tasks which cannot effectively be handled by the lawyers themselves.

However much the Government's determination to pursue frandsmen through the courts may appear to fisctuate, both criminal and civil cases involving complex figurework are bere to stay. Tha public interest demands that they be properly understood.

Nicholas Sherrard,
Overdale,
Berks Hill,
Chorleywood,
Herts.

Sufferers from the summer

From Mr D. Lumb

Sir,—I notice that some politicians were recently pleading with the Government for financial belp to farmers wbo bad suffered from the cold wet weather this summer.

While not wishing to be uncharitabla to farmers, I cannot see wby similar pleas could not be made on behalf of ice cream vendors. The latter get no concession on rates and are not e class especially favoured by the EEC. I wonder if there are many Members of Parliament who are part-time ice cream vendors?

D. B. Lumb,
2nd Floor,
29 Kirkgate,
Bradford.

Charging by the banks

From Professor M. Cranston

Sir,—Am I alone among readers in being disturbed by the rapacious charges imposed nowadays on customers by certain clearing banks?

Last week a transfer of $175 from New York was credited to my account by the National Westminster Bank with deductions of 15.19 per cent for charges. Is this a record?

(Professor) Maurice Cranston.
London School of Economics,
Houghton Street, WC2.

FINANCIAL TIMES

Wednesday November 27 1985

BHP buys Monsanto energy unit

BY LACHLAN DRUMMOND IN SYDNEY

BROKEN HILL Proprietary (BHP), the resources group which is Australia's largest public company, has taken a further large step in internationalising its energy interests with the announcement yesterday that it is to pay US$745m for Monsanto Oil, an offshoot of the US chemicals group.

The disposal ends Monsanto's involvement in oil and gas exploration and production, following a separate sale of its UK interests earlier this month.

Monsanto Oil will provide BHP with reserves of 74m barrels of oil and 730bn cubic feet of gas, being produced at the rate of 10,000 barrels of oil and 86m cu ft of gas a day. These are mainly onshore in the US, although it also has extensive exploration tracts in the Gulf of Mexico, Canada and Colombia.

Late last year, BHP spent $504m buying Energy Reserves Group (ERG), based in Wichita, Kansas, and subsequently renamed BHP Petroleum (Americas). The Houston-based Monsanto Oil is to be merged with it to form a BHP division with combined reserves of 100m barrels of oil and 966bn cu ft of gas.

BHP said yesterday the acquisition represented an effective purchase price of US $5.10 per barrel of oil equivalent. It paid a little more than $7 a barrel for the relatively more productive ERG fields.

The 10,000 barrels-a-day production of oil and condensate for Monsanto is drawn from 1,000 separate properties. It returned an average $53m in pre-tax profits in the last three years, suggesting it would not immediately pay its way after financing costs.

The heavy spending on US oil brings to some A$5bn the amount BHP has laid out in the past two years to position itself as a major world resource supplier. These purchases have included General Electric's Utah operations and the recent A$1bn moves to buy CSR's interest in the Mount Newman iron ore operation and Theiss Dampier Mitsui coal venture.

Adrian Dicks in London writes: Mr Graeme McGregor, BHP's finance director, said in London last night that the $745m purchase price for the Monsanto assets would be met out of the proceeds of a $1bn Euromarket borrowing package, for which the company signed with a syndicate led by County Bank last Friday.

Prompt use of the $700m note issuance facility and $300m Eurocommercial paper programme, Mr McGregor added, should scotch rumours that BHP's borrowings had been made to bolster its defence against unwelcome takeover bidders.

Paul Taylor writes from New York: Monsanto, the fourth largest US chemicals group, put its oil and gas interests up for sale earlier this year when it agreed to acquire G. D. Searle, a US pharmaceuticals group, for $2.7bn. The planned disposal was part of a debt-reduction programme announced by the St Louis-based group at the time of merger agreement with G. D. Searle. The merger was completed in early October.

The sale price for the oil and gas division is broadly in line with Wall Street estimates – and with suggestions that Monsanto could raise about $1.4bn through asset sales.

Earlier this month Monsanto announced a further restructuring programme including additional disposals, asset writedowns and cuts in its workforce and said it would take a $559m after-tax fourth-quarter charge as a result.

The restructuring is designed to streamline operations, reduce dependence on bulk petrochemical products and refocus the group on more specialised technology-driven industries.

Dominic Lawson in London writes: BHP had sought to buy Monsanto's UK oil and gas interests in addition to those in America, but was outbid for the British portion by Amerada Hess of the US, the Australian company confirmed yesterday.

Monsanto said two weeks ago that it had sold its North Sea interests to Amerada, but refused to reveal the price. It is believed that the assets fetched $120m, with BHP underbidding by about $20m.

BHP Petroleum set up an office in London a year ago with the intention of building up a UK-based oil and gas exploration and production company. It planned to acquire UK oil companies, and last year the share price of Lasmo rose sharply on hopes that BHP would bid.

However, the UK Department of Energy has since indicated to BHP that it would oppose hostile takeovers of UK North Sea oil companies by foreign concerns.

See Lex: Stock market reaction, Page 50

Warner Lambert to sell medical business

By Paul Taylor in New York

WARNER-LAMBERT, the US pharmaceuticals, health care and consumer products group, yesterday announced plans to withdraw from the medical equipment sector. The company is to sell its three remaining health technology businesses as part of a major corporate restructuring which will result in about a $550m or $7.10 a share charge against fourth quarter earnings.

The group, which reported net earnings of $51.2m or 65 cents a share in the 1984 fourth quarter and full year net earnings of $224m or $2.81 a share on sales of $3.2bn, said that proceeds of the planned divestitures will be mainly used to fund a continuing share repurchase programme.

The company, which has already repurchased about 4m shares since mid-1984 out of 6m authorised to be bought back, said its board yesterday approved the repurchase of an additional 8m shares. Warner-Lambert's shares were trading up $1⅛ at $41⅛ after the announcement.

The New Jersey-based group, which earlier this year sold its diagnostics business to Akzo, the Dutch fibres and chemicals group, said the plan covers the sale of its remaining hospital supply and medical device businesses, Deseret, Imed and Reichert. The three units together have annual sales of about $38m or 12 per cent of Warner-Lambert's total, but account for less than 1 per cent of the group's profits.

Warner-Lambert's health technologies division has been under pressure recently, mainly as a result of efforts to control US hospital health care costs which have led to reduced demand for many medical services and products.

Reichert, which manufactures scientific instruments, was the only one of the three units to report sales gains last year while sales of Imed's intravenous infusion systems and Deseret's hospital products declined.

Mr Joseph Williams, Warner-Lambert's recently appointed chairman and chief executive, said that the $550m restructuring charge covered the writedown of the three businesses to their estimated net realisable values.

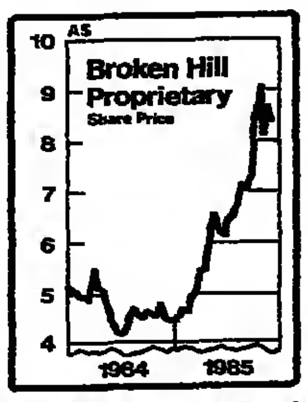
The charge also includes other items including the costs of a voluntary retirement incentive programme designed to help reduce management levels and save $30m in organisational overhead costs, and the cost of consolidating plants in Mexico and the UK in an effort to enhance efficiency and productivity.

Mr Williams said that although the three health technologies businesses are profitable "intensified competition does not project the margin levels we will be seeking." He added that the sale of the units will permit Warner-Lambert to more strongly support its higher-return core pharmaceuticals and consumer businesses, assuring sustained long-term growth.

THE LEX COLUMN

Locking up the SCM jewels

London stock market Cassandras have not enjoyed much of a run for their money over the past month or two, so yesterday's setback was not an opportunity to be missed. The FT-SE Index, they were quick to point out, showed its biggest points drop since February. Wall Street was in retreat and Sheikh Yamani, an old bear market stand-by, was doing his bit to help with gloomy observations about the oil price.



Hanson/SCM

The New York appeals court may think differently, but for the present it seems the law is not going to prevent Merrill Lynch from buying the best bits of SCM. There is a great gulf, apparently, between a defending board's mere failure to ask about relevant matters – like the range of fair prices for its major assets – and actual breach of fiduciary duty. At best, Hanson appears to have proved SCM's directors guilty of the lesser failing.

If this judgment is upheld, it leaves Hanson with a large parcel of SCM shares and a need for quick thinking about what best to do with it. Conceivably, Hanson might make an offer for SCM without its jewels, presumably rather lower than the $75 offer at present on the table; the existing Hanson stake could certainly be used to block the completion of Merrill's buyout deal. But the value of a denuded SCM to Hanson is clearly not sufficient to justify a very generous offer, and may be too puny to make it worth going on at all.

Simply tendering its holding to Merrill would generate a modest profit for Hanson on the whole transaction, probably more than enough to cover its fees for legal and financial advice. That would be to admit that the preceding battles had been a waste of time and effort, but at least Hanson's forces would then be freed for more effective use elsewhere – perhaps in an eleventh-hour raid on Imperial.

BHP/Monsanto

For a company that prides itself on keeping well funded, Broken Hill is certainly spending hand over fist. The ink was scarcely dry on BHP's US$1bn Euromarkets financing before the bulk of it was committed to the purchase of Monsanto's oil and gas assets (excluding the North Sea). Having spent more than A$2bn in two months on various sorts of minerals, it will not be long before BHP is back in the markets raising debt or equity or both – even with cash flow running at A$1.5bn a year.

On the basis of a purchase price of US$745m, BHP is paying about US$5 a barrel for Monsanto's proved reserves, leaving aside any potential in the exploration acreage. This is around the current US retail price for oil in the ground even if Monsanto, paying down the US$3bn raised for its purchase of G. D. Searle, cannot have driven a very hard bargain. On a line through the Delhi auction, or even the market's notion of a bid price for CSR, BHP could never have picked up Australian oil assets for that price; and while the assets might have been no more expensive next spring, BHP evidently wants to get moving. With Mr Holmes à Court making a market in BHP stock, the group will need to show good earnings growth next year after the current recovery rolls by.

Allied-Lyons

If yesterday's interim statement of results is anything to go by, Allied-Lyons will be issuing a pretty formidable defence document next month against the IXL bid. It is not simply that pre-tax profits for the half-year to mid-September, at £122.6m, are a full 21 per cent above a poorish first half last year – although this is ahead of the other brewers who have reported. A falling tax charge has ensured a 27 per cent increase in earnings, leaving room for a raise of a quarter in the interim dividend. At this rate, a price of more than the IXL offer is already justified on the current inflated sector multiple.

Admittedly, the figures were flattered (notably in the wines and spirits division) by an increase of a third in property disposal profits; but these are at least separated in the revenue account and there is no babbling about pension fund surpluses. It may be a shade disappointing that Allied has only held on to volume in the beer division thanks to the novelty success of Castlemaine Australian lager. But an improvement in overall trading margin of nearly a point does compensate. After all, it is Allied's margin performance that has made it vulnerable; and it could be argued that the restructuring of the beer division leaves Allied with more to gain next year than, say, Bass or Whitbread.

Equally, the 17 per cent improvement in the food division despite adverse weather and exchange rates does not, on the face of it, suggest a business better off sold. The Allied share price fell 9p to 287p, carried down by the market; which suggests only a bear market in the brewing sector will tip IXL in with much of a chance.

Rothmans

The chairman of Rothmans hinted in his annual statement that 1985/86 would be a poor year and so far he is being proved right. Attributable profits in the six months to September have fallen by almost 40 per cent to £20.8m, the group is still in the throes of rationalisation (£7m was provided above the line in the first half) and the share price is valuing the whole of Rothmans at no more than the sum of its quoted investment interests.

The tale of woe is by now pretty familiar. Luxury consumer products are not making the progress that they should, brewing profits are still depressed by industrial relations problems and margin pressures in Canada, and the core tobacco division is so far failing fully to compensate for lower volumes through lower costs.

The market appears to be expecting yet more bad news. Taking a charitable view of second-half prospects, the shares are trading on a prospective multiple of under 7 and a yield of roughly 8 per cent at last night's price of 121p. That represents a fair discount to the tobacco sector, let alone the rest of the stock market. Rothmans admittedly has a good deal to prove – not least concerning its diversification strategy – but it is hard to imagine that the revenue account will again be burdened with the £40m of exceptional costs which have clobbered the share price over the past two years.

Britain stalls on EEC-US steel pact

By Ivo Dawnay in Brussels

BRITAIN yesterday refused to give its full endorsement to a new four-year trade pact between the EEC and US on steel products, despite broad support for the accord from its Community partners.

Mr Paul Channon, the Trade Minister, said his trade officials would need a few days to study details of recent exchanges between Mr Willie de Clercq, the EEC external relations commissioner, and Mr Clayton Yeutter, the US Trade Representative.

The broad outline of the pact has already been informally agreed but there remains concerns over US threats to impose ceilings on EEC exports of semi-finished products.

Although these should technically be unrestricted, Mr Yeutter has recently warned that the US could impose unilaterally a 400,000 tonnes maximum on sales from the EEC, next year.

The UK has in turn said it may refuse to ratify the steel agreement if e limit is set. London fears that restrictions could hit a contract between the state-owned British Steel Corporation (BSC) and Tuscaloosa Steel of Alabama, for the supply of 250,000 tonnes of semi-finished products each year.

Total EEC sales of semi-finished steel to the US last year exceeded 850,000 tonnes of which the UK took only 34,000 tonnes. Its new requirement would therefore force a painful negotiation between member states on an EEC quota, in which the British would be unable to meet Tuscaloosa's demands.

In an effort to resolve the issue, Mr de Clercq yesterday sought further clarification from Mr Yeutter on the US position. The Commissioner then told the ministers that although Washington would not rule out imposing a 400,000 tonnes import ceiling in 1986, an additional allocation of 200,000 tonnes for the Tuscaloosa contract would be available to Britain.

He added that Brussels has not waived its right to retaliate against a US ceiling or to activate "short supply" agreements which allow additional sales when demand cannot be met by the US industry.

It is understood that Britain may well accept the deal later this week after its officials have examined more closely the details of the exchanges between Brussels and Washington.

Mr Channon said last night that BSC would be seeking further clarification of the details of the package, not least on whether the special concession to the UK would continue beyond 1986.

US tries to revive deadlocked talks on Namibia independence

BY PATTI WALDMEIR IN LUSAKA

THE US Government appears to have launched a major new effort to revive stalled negotiations between Angola and South Africa over independence for the South African-administered territory of Namibia (South West Africa).

Dr Chester Crocker, US Assistant Secretary of State for African Affairs, is due to meet a high-level Angolan delegation today in the Zambian capital, Lusaka, for the first talks on the issue since Angola angrily withdrew from the negotiations in July, according to Zambian officials.

The Luanda Government broke off the talks in response to the repeal by the US Congress earlier this year of legislation which had barred US aid to Unita rebels fighting Angola's marxist Government.

The Angolans were also understood to have been furious at an alleged South African attempt to sabotage an oil installation in the northern Angolan enclave of Cabinda in May, in which one South African commando was captured and two others killed.

The two events proved a major setback to US efforts to act as a mediator between the two sides. The US has sought unsuccessfully for several years for an arrangement under which South Africa would allow United Nations-supervised independence for Namibia, in exchange for the withdrawal of an estimated 25,000-30,000 Cuban troops from Angola.

At the time the talks were suspended, a wide gulf separated the two sides over the issue of the timing of a Cuban troop pull-out, with Pretoria demanding a withdrawal within weeks and Luanda arguing for an extended period which would allow them to adjust to the security problems caused by the Cubans' departure.

The negotiations will resume at a time when Angola is under intense pressure to reach a settlement which might head off moves in the US Congress to begin providing either humanitarian or military aid to the Unita rebels of Dr Jonas Savimbi.

Mr Crocker yesterday held talks with Zambia President Kenneth Kaunda, who has played a major role as an intermediary between Pretoria and Luanda in the past. The Angolan delegation, which was expected to arrive in Lusaka late last night was believed to include Mr Alexandre Kito, the Angolan Interior Minister.

Banks to take 85% of Boskalis

BY LAURA RAUN IN AMSTERDAM

BOSKALIS, the financially troubled Dutch dredging and construction group, plans to spin off its non-dredging assets and nearly all its debt into a trust that will give creditor banks control of about 85 per cent of the company's equity.

The plan, which must be approved by share and bondholders at an extraordinary meeting on December 20, was unveiled yesterday by Mr Hans Kraaijeveld Van Hemert, chairman, along with the company's 1984 annual report.

The financial restructuring aims to put the dredging operations on a healthy footing so that creditors will have some chance of recouping their loans.

The move involves 53 Dutch and foreign banks and is not unlike the debt renegotiations of many developing countries.

Mr Kraaijeveld Van Hemert said Boskalis lost Fl 454m ($158m) last year – more than twice as much as expected.

The Sliedrecht-based company, which successfully fended off one request for bankruptcy, has been plagued by the inability of countries such as Argentina and Nigeria to pay for big construction projects.

Banks and bondholders will receive 19m cumulative preferred shares with a nominal value of Fl 95.8m for transferring their claims to the trust. The debt amounted to about Fl 1.2bn, including credit guarantees, at December 31, 1984. The non-dredging assets had a book value of Fl 182.9m.

The assets will be liquidated for the benefit of creditors who will hope for capital gains on their preferred shares. A listing on the Amsterdam Stock Exchange will be sought for the preferred shares, which will account for about 85 per cent of all outstanding shares.

Meanwhile, the current common-share capitalisation will be written down by half to Fl 17m.

The restructuring will take effect retroactively from January 1, 1984 and leave the company with Fl 334.5m in assets and Fl 141m in bank debt.

Mr Kraaijeveld Van Hemert said the world dredging market still suffered from overcapacity and presented a "sombre picture." But Boskalis owned the largest and most modern fleet in the industry

UK seeks more jobs for blacks

Continued from Page 1

The Government is hampered in its endeavours by a lack of up-to-date statistics – Jobcentres do not collect statistics on a racial basis. The most recent survey which did so, the 1981 Labour Force Survey, shows that black men were twice as likely to be out of work as white men and that black women were 1.75 times more likely to be unemployed as white women.

The survey showed that unemployment rates are particularly crippling for men of West Indian or Guyanese origin between the ages of 18 and 24, where the figures approach 40 per cent

By comparison, whites in the same age group showed unemployment rates of around 17 per cent.

Texaco bankruptcy fears

Continued from Page 1

would only arise as a possibility after all other legal remedies had been exhausted." Texaco said it would urge the court, which is scheduled to hear its case on December 5, that "it would be absurd and irreponsible to force Texaco into bankruptcy by requiring an impossible bond."

It added: "We believe and will urge the court that such a result is not only unnecessary but also violative of the Texas and US constitutions. However, as we have said we are not at this time ruling out any legal course of action appropriate to protect Texaco's stockholders, employees, customers and creditors."

Texaco officials refused to confirm or deny Mr DeCrane's comments yesterday and said they stood by their statement.

On Wall Street analysts were confused by the company's statement and responses to questions about the court case.

Initially, most analysts had been confident that Texaco would be able to defeat the legal action brought by Pennzoil, a US oil company which had been outbid for Getty Oil after it thought it had agreed to a deal.

Maggie Urry in London writes: In the Eurobond market the company's issues fell sharply on the news, dropping 1½ to 2 points. Texaco's convertible Eurobond also slumped on the back of the share-price fall, from 103¾ to 101½.

The bonds had been recovering in the last two days

French banks replace two chairmen

By David Marsh in Paris

NEW CHAIRMEN were named yesterday at Crédit Commercial de France (CCF) and Union des Banques à Paris (UBP), two French nationalised banks which have been at the centre of a squabble over government plans for a link-up.

Mr Gabriel Pallez, the 60-year-old director-general of the Assistance Public national hospital organisation, will take over at CCF, replacing Mr Claude Jouven, who resigned earlier this month.

Mrs Isabelle Bouillot, 36, a top civil servant from the Finance Ministry, will take over at UBP, whose present chairman, Mr Lucien Pfeiffer, was embroiled in an 18-month personal conflict with Mr Jouven over links between the two banks.

Mr Jouven resigned because Mr Pierre Beregovoy, the Finance Minister, refused his demand that Mr Pfeiffer should be removed from UBP. CCF, the tenth largest French bank ranked by assets, is forming a group with UBP and another of the smaller nationalised banks, L'Européenne de Banque.

An umbrella holding company, Compagnie Financiere du Crédit Commercial de France, is taking a 51 per cent stake in all three institutions.

Following Mr Jouven's resignation – which gave CCF the task of finding a new chairman for the fourth time since nationalisation in 1982 – Mr Beregovoy decided to make an example of Mr Pfeiffer by removing him from his post.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	55	Dubrovnik	C	11	52	Malaga	F	18	68	Salzburg	F	2	36
Akrotiri	S	20	68	Faro	F	17	63	Malta	–	—	—	Seoul	S	10	50
Algiers	C	18	61	Florence	C	9	48	Manila	C	33	91	Singapore	F	28	84
Amsterdam	C	1	34	Frankfurt	Fg	-4	25	Miami	C	26	79	Stockholm	C	-4	25
Athens	S	16	66	Funchal	S	22	72	Milan	S	5	41	Strasbourg	Fg	-3	27
Bahrain	S	28	84	Geneva	C	0	32	Moscow	Sn	-6	21	Sydney	S	22	72
Bangkok	S	30	86	Gibraltar	R	15	59	Munich	C	-7	20	Taipei	S	28	82
Barcelona	D	7	45	Guernsey	C	6	43	Nairobi	F	25	77	Tangier	R	17	63
Beirut	R	15	59	Helsinki	F	-8	18	Naples	C	11	52	Tehran	–	—	—
Belgrade	R	3	37	H. Kong	C	22	72	New Delhi	S	25	77	Tel Aviv	F	20	68
Berlin	S	-1	30	Innsbruck	C	-1	30	New York	C	7	44	Tenerife	C	23	73
Biarritz	C	4	39	Inverness	C	3	37	Nice	S	9	48	Tokyo	S	14	57
Blackpool	S	5	41	Istanbul	S	14	57	Oporto	C	9	48	Toronto	C	1	34
Bordeaux	S	3	37	Jersey	C	5	41	Oslo	C	-5	23	Tunis	C	16	64
Brussels	C	1	34	Jo'burg	F	27	81	Paris	C	1	34	Valencia	S	6	48
Budapest	C	1	34	Las Palmas	C	22	72	Prague	S	-2	28	Venice	S	6	43
B. Aires	R	32	89	Lima	S	21	70	Reykjavik	F	-1	30	Vienna	S	-1	30
Cairo	C	22	72	Lisbon	F	17	63	Rio de J'o	C	30	86	Warsaw	S	-1	30
Cape Town	S	30	86	Locarno	S	4	39	Rome	S	11	52	Zurich	C	-1	30
Caracas	R	28	82	London	C	5	41								
Casablanca	C	20	68	Los Angeles	F	18	65								
Copenhagen	Sn	0	32	Luxembourg	C	-2	28								
Corfu	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]								
Dublin	C	3	37	Majorca	[illegible]	[illegible]	[illegible]								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Brazil ends IMF talks

Continued from Page 1

by the Spey jet engine will be partly manufactured in Brazil, to be fitted to the joint Italian-Brazilian AMX fighter, has already been signed. But its conclusion depends crucially on the availability of ECGD cover.

Leaving open the door for a possible "enhanced surveillance" type of understanding with the IMF on the lines already reached with other South American countries, at some time in the future, Mr Funaro said in Washington that the IMF would still be kept informed of the progress of the Brazilian economy.

Peter Montagnon in London writes: Senior international bankers were treating Mr Funaro's statement with some caution yesterday. No request to drop plans for a multi-year rescheduling in favour of an extended short-term debt rollover has yet been received by the Citibank-led advisory committee of major creditors.

There is still no question of a rescheduling being agreed without an IMF programme in place, and even a one or two-year extension of debt maturities would almost certainly run into fierce opposition from creditor banks.

Although Brazil does not currently need fresh bank finance it is regarded as highly vulnerable through its continuing reliance on nearly $6bn in short-term money market lines.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday November 27 1985

Bayer forecasts record profit in tougher market

BY JOHN DAVIES IN FRANKFURT

BAYER, the West German chemicals and pharmaceuticals group, expects record results this year and is confident about prospects next year despite signs of tougher competition in some markets.

Mr Hermann Josef Strenger, chief executive, said business this year had turned out even better than anticipated, but more moderate growth could now be expected after three years of powerful momentum.

Group pre-tax profit surged to DM 2.51bn ($978.5m) in the first nine months of this year, 14.4 per cent more than in the same period last year. Pre-tax profit of the Leverkusen-based parent company showed sharper growth of 26 per cent to DM 1.23bn.

The Bayer group's worldwide sales revenue rose 9.5 per cent to DM 35.5bn and is expected to exceed DM 46bn for the full year, compared with DM 43bn last year. Parent-company sales were up 9.4 per cent at DM 13.56bn in the first nine months and are likely to exceed DM 17.5bn for the year.

The Agfa-Gevaert photographic and electronics subsidiary and other activities involving advanced technology were among areas of business with the strongest growth.

Mr Strenger gave no indication of the likely dividend, but said Bayer would stick to its flexible dividend policy, adjusting its payout according to earnings.

With the West German chemical industry enjoying another good year, it has long been expected in the stock market that the "big three" – Bayer, BASF and Hoechst – will all increase their dividends from the uniform payout of DM 9 per share on last year's earnings.

Mr Strenger said the weaker US dollar would strengthen the export competitiveness of US chemical companies. The first signs of a tougher challenge could already be seen in Asian and Latin American markets.

"But we will defend the market positions which we won in the last few years and we do not believe we will lose much ground," he said.

Mr Strenger said Bayer had benefited in recent times from the surge in the US dollar to a peak of more than DM 3. But five years ago the group had to manage with the dollar worth only DM 2. "With the present rate of DM 2.60 we can live quite nicely," he said.

The weaker dollar would ease the burden of Bayer's raw-material import costs and would help its US subsidiaries to increase their exports. It might also benefit the world economy by reducing the international debt burden, he added.

Mr Strenger said Bayer's sales abroad grew by 10.7 per cent to DM 28.3bn in the first nine months of this year, making up 80 per cent of total sales. Business in West Germany showed more modest growth of 4.8 per cent to DM 7.2bn.

Sales in North America increased only 3 per cent in terms of US dollars, but in terms of D-Marks they were up 11.6 per cent at DM 8.7bn.

Next year, slower economic growth in the US would probably be offset by stronger growth in important West European countries, which already account for half its sales revenue.

Mr Strenger disclosed that Bayer planned to enter into joint ventures in Japan in three more areas of business. It was too early to give details, he said, but added that one proposal involving silicon was well advanced.

With local partners, Bayer is already active in Japan, where its business has concentrated on pharmaceuticals, polyurethane and agricultural chemicals – all areas where it sees good medium to long-term prospects.

Bayer plans a further increase in worldwide investment to DM 2.2bn next year from DM 1.95bn this year, as it is reaching the limits of capacity in some lines of business.

Board of loss-hit Voest resigns

By Patrick Blum in Vienna

THE PRESIDENT and the management board of Voest-Alpine, Austria's state-owned steel, engineering, electronics and trading group and the country's largest industrial concern, have resigned after sudden and unexpectedly high losses for some of the group's companies.

Mr Heribert Apfalter, the group president, who joined the company as a junior staff member in its financial department in 1949 and slowly made his way up to his present position in 1977, announced his resignation yesterday. He was nominated business manager of the year in 1984 by an Austrian business journal.

Mr Ferdinand Lacina, the Minister for Transport and the Nationalised Industries, said yesterday that the Government had accepted Mr Apfalter's resignation and that the management board would also step down. Mr Richard Kirchweger, managing director of Chemie Linz, another nationalised group, who has previously worked for Voest-Alpine, is expected to succeed Mr Apfalter, a government official said.

Ministry officials said yesterday that losses at Voest-Alpine were expected to be about Sch 4bn ($222m) by the end of the year. Last week Oiag, holding company for the nationalised industries, said it expected Voest-Alpine to make losses of about Sch 3bn. Last year the group made a loss of Sch 2.4bn, not including losses of about Sch 2bn for one of its steel subsidiaries.

With about 70,000 workers on its payroll, Voest-Alpine is the largest employer in Austria and it accounts for a large share of exports. The company's troubles grew in the 1970s with the depression in steel and other traditional activities.

Andrew Fisher looks at a hard-pressed US container group's attempt to chart its own course

Sea-Land rejects takeover offer

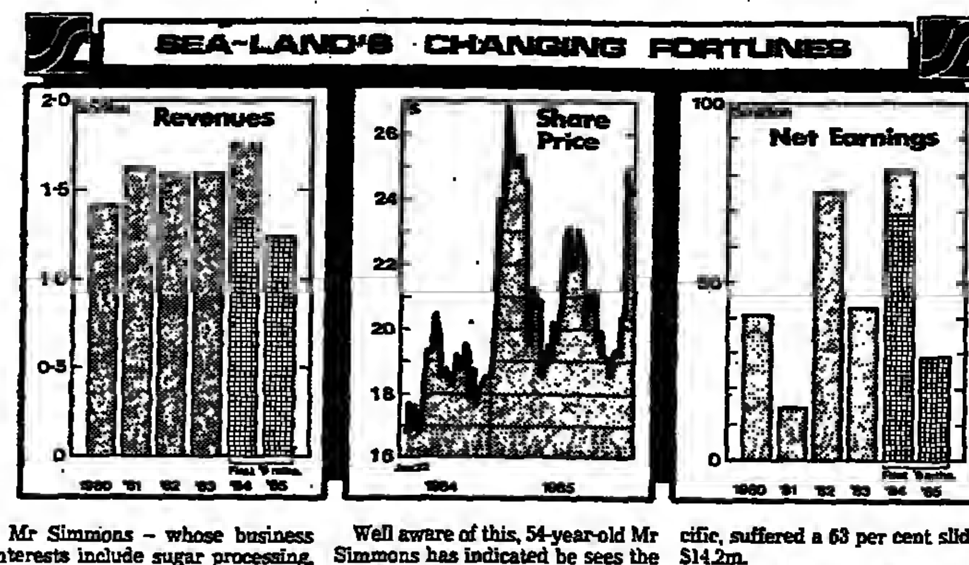
SEA-LAND, the big US container shipping group, yesterday spurned the approach of Mr Harold Simmons, the Texas businessman who owns a quarter of the shares and has bid $25 each for the remainder.

The group's terse statement gave little away but confirmed the market's view that Sea-Land would fight to keep its independence after being spun off from the R.J. Reynolds tobacco, food and drinks group in mid-1984.

It left open the question of what it would do next. With its financial adviser, Dillon Read, the company will explore "all available alternatives to maximise value to the company's shareholders."

Mr Joseph Abely, Sea-Land's chairman, said this had not been achieved by the cash offer from Contran, Mr Simmons's Dallas holding company. When Mr Simmons announced his initial 9.1 per cent stake in July, Sea-Land was distinctly cool.

Yesterday, Mr Abely dismissed the offer. He said: "The board does not believe that this highly conditional proposal could have been considered by Contran to offer value to Sea-Land's shareholders." The Contran bid values Sea-Land at around $580m.



Mr Simmons – whose business interests include sugar processing, timber, chemicals and steel – has no stake in the hard-pressed shipping industry. He has made his play at a time of extreme vulnerability for Sea-Land and its rivals.

After a boom year in 1984, especially on the US import route from Asia across the Pacific, the container-shipping industry is finding this year tough.

Well aware of this, 54-year-old Mr Simmons has indicated he sees the medium-to-long-term future as favourable for Sea-Land. With a net worth of more than $200m, Mr Simmons is ranked 28th in the Dallas-Fort Worth wealth league.

Experts see calmer times in shipping as some way off. Sea-Land's third-quarter earnings fell 71 per cent to $8.2m while American President, which operates only in the Pacific, suffered a 63 per cent slide to $14.2m.

The problem is lower freight rates, caused by a jump in new tonnage as cargo growth has slackened.

Sea-Land itself has no major shipbuilding programme though one possibility mentioned in the industry was that the group might now go ahead with an order for six new vessels, previously shelved, instead of waiting to pick up cheaper second-hand tonnage.

This could well scare away Mr Simmons as such an order could exceed $300m. Sea-Land could also calculate that by the time of delivery in two years the market might have picked up.

The bid compares with Sea-Land's net worth of $23 a share, or $533m in total, as jointly estimated by US investment bank Alex Brown and UK stockbrokers Laurence Prust. The present fleet value is estimated at below $270m against the end-1984 book value of $518m after accumulated depreciation of $258m.

In the industry, Sea-Land, a pioneer in containerisation and founded by Mr Malcom McLean, who now runs US Lines, has a reputation for efficiency and aggression. It has around 60 ships and operates on major world container routes.

Financially, it is less stretched than some rivals. At the end of 1984, long-term debt totalled $416m. Cash was $357m, including $326m in a capital-construction fund, conferring tax advantages if the money is used to build ships in the US.

Around $180m of the fund money is committed to building three new ships for trade to Alaska. Sea-Land has also spent $76m on enlarging 12 container ships.

Commerzbank sees DM 1.5bn profit, bigger payout

COMMERZBANK, one of West Germany's biggest banks, will "markedly" raise its dividend for this year from the previous 12 per cent level, because of a surge in earnings to new record levels, writes Jonathan Carr in Frankfurt.

Dr Walter Seipp, chief executive, said operating profit of the parent bank would for the first time reach about DM 1bn ($389.8m) and of the Commerzbank group around DM 1.5bn.

He also emphasised that the bank would increase its loan-loss reserves by still more than before, especially to take account of international lending risks.

Commerzbank is the first of the "big three" German banks to give 10-month results and a prognosis for the whole year. Deutsche and Dresdner banks follow in the next few days.

The overall outlook is for buoyant profits even surpassing the results of the "boom year" in 1983. But that is partly overshadowed both by the international debt crisis and a record number of company bankruptcies in Germany, despite continuing economic growth.

In the first 10 months, Commerzbank raised profits from interest business by 5.5 per cent and profits from commissions by 24 per cent.

The rise in interest earnings arose out of an increase in business volume, although the interest margin (the difference between interest earned and paid) fell to 2.52 per cent compared with 2.61 per cent for the whole of last year.

Those interest and commission earnings together, less personnel and other costs, produced a "partial" operating profit of DM 585m – 10.5 per cent more than the comparable figure for last year.

Dr Seipp also disclosed that Commerzbank's profits from own-account trading in securities and foreign exchange had "far more than doubled" in the first 10 months.

He did not give a figure but forecast that full operating profit ("partial" operating earnings plus own-account trading profits) would rise to some DM 1bn in the parent company and DM 1.5bn in the group for the year.

The bank did not disclose its operating profit for last year, but it is believed to have been about DM 730m for the parent and slightly more than DM 1bn for the group. In each case those results were a bit down on the 1983 figures, hitherto a record.

Commerzbank's profits rise comes against a background of strong assets growth, with the parent bank's balance-sheet total at end-October DM 79.9bn – nearly DM 10bn more than a year earlier.

The growth shows that the bank's long years of consolidation are at an end. Commerzbank suffered a period of weak earnings at the start of the decade and had to omit a dividend.

This year, the bank has markedly boosted its liable funds – to DM 3.28bn in the parent company and to DM 3.7bn in the group, thanks not least to the issue of DM 425m worth of *Genussscheine* (profit-sharing certificates).

Kvaerner to buy turbine operations

By Kevin Done in Stockholm

KVAERNER, the Norwegian engineering concern, has signed an agreement in principle to take over the turbine operations of Sweden's troubled Nordstjernan group.

The deal would make Kvaerner one of the world's leading manufacturers of hydro-powered turbines. The Nordstjernan turbine operations, part of the group's KaMeWa subsidiary, has annual sales of around SKr 500m ($64.8m) and a workforce of about 350.

In a joint statement the two groups said the deal would aid the restructuring of the turbine sector, which is suffering from overcapacity, and would give the Scandinavian industry a stronger competitive edge in foreign markets.

Nordstjernan, the industrial arm of the Axel Johnson Group which has run into deep problems in several of its traditional areas such as shipping, steel, engineering and construction, is undergoing a far-reaching restructuring process in which a large number of peripheral businesses are being sold off.

In recent months, apart from the turbines deal with Kvaerner, it has announced preliminary or final agreements to sell Sirius, its reinsurance company, Kranlyft, a mobile crane company, and Datema, its computer services company as well as at least eight other smaller operations.

The deal with Kvaerner includes the sale of the KaMeWa subsidiary, Boving-KMW Turbin (BKT) with its two British subsidiaries, Newton Chambers Engineering and Boving and Company, as well as the Australian subsidiary Boving and Company (ANZ) and the US subsidiary Axel Johnson Engineering Corporation.

20% gain for Montreal bank

By Robert Gibbens in Montreal

BANK OF MONTREAL, Canada's third-largest chartered bank, showed a gain of almost 20 per cent in earnings for the year to October 31, helped by the inclusion of Harris Bankcorp, the US bank acquired last year.

Fiscal 1985 net profit was C$339.2m (US$247m), or C$3.75 a share, against C$283.4m, or C$3.37, a year earlier. Average shares outstanding were 75m against 68m.

Fourth-quarter net was C$91.8m, or C$1.01 a share, against C$72.5m, or 83 cents, a year earlier.

Assets at October 31 were C$82.4bn against C$76.5bn a year earlier.

Metallgesellschaft expects to resume dividend payment

BY OUR FRANKFURT STAFF

METALLGESELLSCHAFT, the West German metals, chemicals and trading group, has strongly increased its earnings and intends to resume a dividend payment, marking its recovery from a setback in recent years.

Mr Dietrich Natus, chief executive, said exact group profits had not yet been finalised for the financial year ended on September 30, but they would "substantially exceed" those of the previous year.

The company would be able to build up its reserves and pay a dividend higher than the last of DM 4 a share on the 1980-81 results, he said.

Metallgesellschaft increased its worldwide sales revenue by 4.1 per cent to DM 14.6bn ($5.7bn) in the financial year just ended, while the domestic group lifted sales revenue to about DM 11bn from DM 10.5bn in 1983-84.

Mr Natus said the company had dealt with its loss-making problem areas, including nickel processing and some mining projects. After consolidating its recovery process in 1984-85, it expected another good result in the present financial year.

Metallgesellschaft omitted a dividend for three years in succession and embarked on restructuring after a loss of DM 19m in 1981-82. It reported net profits of DM 25m in 1982-83 and again in 1983-84.

Mr Natus said trading, metal production, specialised chemicals and the Kolbenschmidt motor-components subsidiary all made substantial contributions to profits, but mining had produced a loss. The Lurgi engineering and process-plant subsidiary had more than doubled its inflow of new orders.

Metallgesellschaft no longer depended just on metal prices, as it had built up a wide range of activities over the years, he said. But if zinc prices remained low, the company could expect losses at its lead-zinc mine at Meggen in West Germany

The company declined to disclose the scale of its financial risks as a result of the tin crisis, but said it had reduced its involvement in tin before the International Tin Council ran out of money. It had ample reserves to cover any risks.

Mr Natus said Kolbenschmidt was carrying out a big investment programme to modernise its production and was preparing to build up its foreign operations, especially in Brazil and the US.

Kolbenschmidt, which makes components for the motor-vehicle and engine-assembly industries, was given a separate stock-market listing last year, with Metallgesellschaft reducing its shareholding but retaining a majority stake.

US banks launch floaters

BY MAGGIE URRY IN LONDON

FLOATERS were again to the fore in the Eurodollar market yesterday as Marine Midland Bank and J. P. Morgan both launched $200m issues.

Marine Midland's issue was proving somewhat difficult, and some banks declined to co-manage the issue. By the close it was quoted at a level just outside the full 45 basis-point fees.

The coupon for the 15-year issue, which is non-callable for two years, will be set at 1/16 per cent above three-month London interbank offered rate (Libor). The first coupon will be at least 8⅛ per cent. Lead manager is Credit Suisse First Boston.

J. P. Morgan's deal, led by Morgan Guaranty, was more popular. This has a 12-year life and is non-callable for three years. The coupon will be 5 basis points above three-month Libor and the issue price is 100.10. Fees total 20 basis points. The issue was trading around 100.05, inside the selling concession.

In the fixed-rate market Salomon Brothers launched a $200m issue for Olympia and York Maiden Lane Finance, a single-purpose company set up by the Toronto-based property developer. The issue is secured on an office block at 59 Maiden Lane valued at $280m. There is also a credit insurance policy.

The 10-year bonds pay a 10⅝ per cent coupon, and issue price is 99¾. Taking in the fees of 2 per cent, the borrowing cost was 80 basis points above the Treasury yield curve at the launch. That looked attractive to investors, and the issue was trading at around a 1½ point discount to issue price.

BHF Bank bond average

Nov 26		Previous
104.464		104.437
High	1985	Low
105.603		99.840

Ajinomoto, the Japanese food company which makes monosodium glutamate, is making a two-part issue of bonds with equity warrants. The terms on the two portions are the same at a five-year life with a par issue price and indicated 5½ per cent coupon. Nikko Securities Europe is lead managing the $60m European targeted portion, and Daiwa Securities is running the $30m Far Eastern portion. Fees total 2¼ per cent, and the bonds were trading at around 102½.

The Eurodollar market was firm yesterday with prices gaining ¼ to ½ point, but again retail interest was limited.

The D-Mark market saw its first bond issue with warrants to buy more bonds. The borrower and lead manager is BHF Bank, and the issue raises DM 100m. The host bonds have a five-year life, maturing in January 1991, and pay a 6¼ per cent coupon, with issue price par.

Each DM 1,000 bond gives the holder the right to buy a back-bond with the same maturity but a 6⅛ per cent coupon. The warrants can be exercised until December 1986.

The package was trading around 99½, well inside the 1¼ per cent selling concession.

In the secondary market prices fell slightly though there was demand for equity-linked issues.

The new Eurolire market saw its third issue, a L75bn five-year deal for General Motors Acceptance Corporation. Part of the proceeds will be swapped into floating-rate lire, with all being used in Italy. The coupon is 13¼ per cent and issue price par. Bank of America and Banca Nazionale del Lavoro are joint book-runners. The issue was meeting fair demand, and bonds were selling at around 98½, inside the 1⅞ per cent fees.

In the Swiss franc foreign-bond market Crédit Suisse announced a SFr 70m private placement for Best Electric, with a five-year life and a 5½ per cent coupon.

The secondary market was slightly weaker yesterday in average volume. Shikoku Electric's new issue closed its first day's trading at 98⅝ down from the par issue price. The SFr 100m 10-year deal pays a 5½ per cent coupon.

Daiwa Securities is arranging a private placement in the domestic yen bond market for Belgium, to refinance old debts. The Y10bn deal will have a 10-year life, a 7.2 per cent coupon and par issue price.

● Citicorp Bank (Switzerland) is offering 80,000 warrants to buy shares in Ricoh, the Japanese photocopier company. The warrants, priced at SFr 390, give the right to buy 100 shares at Y895.

INTL. COMPANIES AND FINANCE

Market welcomes gold mine merger

By Kenneth Marston, Mining Editor

A FIRM London market in South African gold shares – helped by a rise in the gold price – gave a welcome this week to the Anglo American group's scheme to merge its four deep-level gold mines in the Orange Free State into the world's biggest gold mining complex.

The necessarily complicated merger terms, involving Free State Geduld, President Brand, President Steyn, Welkom and Western Holdings, were presented on Friday in Johannesburg and this week in London.

The quoted companies, which will hold the presently separate assets, are Free State Consolidated Gold Mines ("Freegold"), Orange Free State Investments ("Ofsil") and Welkom Gold Holdings ("Welkom"). Shares of those companies are expected to be relatively highly priced, as are those of the existing separate companies.

Questioned about the desirability of a wider share ownership, Mr Peter Gush, chairman of the group's gold and uranium division, said consideration would be given to ways of reducing prices, such as share splits.

The proposed merger terms allow considerable scope for switching investments from one new company into another.

Hudson's Bay seeks to raise C$100m

By Robert Gibbens in Montreal

HUDSON'S BAY Company, the Canadian trading, property and retail group owned by the Kenneth Thomson interests, will raise around C$100m (US$73m) of new funds through a rights issue with the price to be fixed later. Proceeds will be used to reduce debt.

The Thomson group will maintain its 73 per cent interest in the company by subscribing fully to the issue, and will take up any shares not subscribed by public stockholders.

In the six months ended July 31, Hudson's Bay suffered an operating loss of C$96.9m against a loss of C$105.9m a year earlier on revenues of C$2.24bn against C$2.1bn.

Merchandising losses were substantially reduced, and property profits stable, as were resource activities. However, interest expense was up at C$127m against C$90m.

North American quarterly results

BROWN-FORMAN
Whisky distiller

Second quarter	1985-86 $	1984-85 $
Revenue	280.9m	370.1m
Net profits	31.9m	29.7m
Net per share	1.40	1.29
Six months		
Revenue	601.8m	538.4m
Net profits	50.4m	45.5m
Net per share	2.25	1.93

SYNTEX
Drugs, health care

First quarter	1985-86 $	1984-85 $
Revenue	253.2m	222.0m
Op. net profits	45.4m	34.9m
Op. net per share	1.50	1.06

TOYS 'R' US
Toy retailer

Third quarter	1985-86 $	1984-85 $
Revenue	376.1m	321.7m
Net profits	7.64m	10.5m
Net per share	0.09	0.12
Nine months		
Revenue	1.1bn	863.0m
Net profits	31.7m	31.8m
Net per share	0.37	0.37

US SHOE
Footwear, clothing, retail

Third quarter	1985-86 $	1984-85 $
Revenue	473.2m	416.1m
Net profits	18.9m	10.2m
Net per share	0.86	0.46
Nine months		
Revenue	1.34bn	1.17bn
Net profits	38.7m	22.9m
Net per share	1.79	1.04

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for November 26.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅛ 92	100	100½	101	+0⅜	+0⅝	10.21
Amex Credit 10⅞ 90	100	104	104½	+0⅜	+0⅛	9.82
Atlant Richfld 10¼ 90	250	97⅞	98⅜	+0⅛	+0¼	10.40
Australia Com 11¼ 00	100	100¼	100¾	+0⅛	+1⅛	10.35
Australia Com 11 95	200	105⅜	105⅞	+0⅛	−0⅛	10.03
BP Capital 11⅛ 92	150	105	105½	+0¼	+0¼	9.93
Campbell Soup 10½ 95	100	103¾	104¼	+0⅜	+0⅜	9.83
Canada 11½ 90	500	107⅜	107⅞	+0⅜	+0¼	9.25
Canadian Pac 10⅞ 90	100	103⅞	104⅜	0	+0⅜	9.82
Canadian Pac 12½ 93	75	105⅛	105⅝	+0⅝	+0½	11.13
CEPME 10⅞ 91	100	101⅛	101⅝	+0½	+0¼	9.80
Chevron U.S.A. 12¾ 89	600	105⅛	105⅞	+0¼	−0⅛	10.32
Citicorp 10 88	200	101¾	102¼	+0¼	+0½	9.11
Citicorp 10⅜ 95	200	99½	100	+0¼	+0⅛	10.06
Coca Cola 11⅞ 91	100	107⅝	108⅛	+0⅜	+0¼	9.91
Denmark Kingdom 11¼ 89	100	104⅛	104⅝	0	+0¼	9.85
Denmark Kingdom 11½ 90	100	105½	106	+0⅛	+0⅛	9.91
Denmark Kingdom 11½ 92	100	105¾	106¼	+0¼	+0⅜	10.14
E.D.F. 10 90	225	99⅞	[illegible]	+0¼	+0⅜	10.13
E.E.C. 9⅝ 90	350	100	100½	+0⅜	+0⅛	9.53
E.E.C. 11⅛ 90	100	105⅝	106⅛	+0¼	+0¼	9.34
E.I.B. 12 95	200	109⅝	110⅛	+0¼	−0½	10.23
Eli Lilly 10⅛ 92	150	102⅞	103⅜	+0⅜	+0⅜	9.80
Export Dev Corp 10 90	100	102⅛	102⅝	+0¼	+0⅛	9.30
Export Dev Corp 12 89	100	108	108½	+0⅜	+0½	9.36
Fed Dep Stores 10⅛ 95	100	99¼	99¾	0	+0⅜	10.19
Ford Motor Cred 11⅛ 90	100	103⅞	104⅜	+0½	+0¼	10.10
Ford Motor Cred 12 95	100	108¼	108¾	+0⅜	−0½	10.83
Gen Elec Credit 10¼ 90	200	102	102½	+0⅛	0	9.93
GMAC 10¼ 89	200	102⅛	102⅝	+0¼	−0⅛	9.80
IADB 10⅞ 95	150	102	102½	+0¼	+0⅜	10.11
IBM Credit 10⅞ 2000	300	† 103	103½	+0½	+0¼	9.93
Kellogg Company 10⅞ 90	100	103⅞	104⅜	0	+0⅛	9.80
Kellogg Company 11¼ 92	100	106	106½	+0½	+0½	9.93
L.T.C.B. 12⅞ 91	100	111⅞	112⅜	+0¼	+0⅜	10.35
Macy Cred Corp 11¼ 95	100	† 102⅜	102⅞	0	−0⅛	11.26
Mitsui Trust 11⅞ 90	100	† 105	105½	0	+1	10.10
Nippon Cred Bk 10⅞ 95	150	101⅝	102⅛	+0¼	+0¼	10.32
Pillsbury Co. 10¼ 90	100	99¾	100¼	+0¼	0	10.43
Pru Realty secs 12⅛ 95	546	108¾	109¼	+0¼	+0⅛	10.53
Qantas Airways 10⅞ 95	140	101⅝	102⅛	+0¼	+0⅛	10.06
Quebec Hydro 11½ 92	100	107½	108	+0¼	0	9.91
Queensland Govt 10¼ 95	100	99¾	100¼	+0¼	−0¼	10.23
Ralston Purina 11¾ 95	150	106	106½	−0⅛	0	10.64
Ralston Purina 12¾ 89	100	108⅞	109⅜	+0¼	0	9.80
Saskatchewan 10¾ 92	100	104⅜	104⅞	+0¼	+0⅛	9.71
Saskatchewan 11⅞ 89	100	† 107⅝	108⅛	+0⅛	+0½	9.40
Statoil 10 90	170	101½	102	+0½	+0⅜	9.50
S Wales Trsy 11¾ 90	150	106¾	107¼	+0¼	+0⅜	9.80
Swed Exp Cred 10 92	100	101	101½	+0¼	+0¾	9.71
Swed Exp Cred 12¾ 88XW	100	108⅜	108⅞	+0⅜	+0¼	9.80
Sweden Kingdom 10⅞ 90	200	104½	105	+0¼	+0½	9.49
Sweden Kingdom 11½ 89	200	106½	107	+0½	+0¼	9.41
Sweden Kingdom 11⅞ 94	100	108¼	108¾	+0¼	+0⅜	10.26
Tenneco Corp 10⅜ 95	150	101½	102	−0⅜	−0⅛	10.43
Texaco Capital 10 95	300	† 93	94	−0¼	−2⅜	11.11
Texaco Capital 11⅜ 95	250	99⅛	99⅝	−4⅜	−4¼	11.21
United Tech Fin 10⅜ 95	100	101¼	101¾	+0¼	−0¼	10.10
Victorian Rep 11⅞ 92	150	106½	107	+0¼	+0¼	10.12
World Bank 10⅞ 95	300	100⅞	101⅜	+0½	+0⅜	9.82
World Bank 12⅞ 94	200	114½	115	0	+0⅛	10.23

Average price change On day +0⅛ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	100⅞	101½	−0⅛	+0½	7.80
Austria Republic 7⅝ 94	200	103⅞	104⅜	0	+0¼	6.93
Baxter Travenol 7¼ 94	200	101½	102	−0⅛	+0¾	6.96
Copenhagen 7⅜ 95	150	99⅞	100⅜	0	0	7.33
Credit National 8⅛ 94	200	105⅞	106⅜	0	+0½	7.08
E.I.B. 7¼ 94	200	101¼	101¾	−0⅛	+0¾	7.02
Escom 8 92	150	93⅛	93⅞	−0½	−0⅛	9.25
Ex-Im Bk Korea 7⅝ 90	100	100	100½	0	0	7.54
Ferrovie Dello Stato 8 91	100	103⅝	104⅛	−0¼	−0¾	7.12
Finland Republic 7 92	200	100⅛	101¼	0	+0⅜	6.82
Gould Int Fin 7⅝ 91	100	101⅞	102⅜	0	+0¼	7.10
Ireland 8⅛ 92	150	104	104½	+0⅛	+0⅜	7.24
Japan Fin Corp 7⅝ 91	100	103⅝	104⅛	+0⅜	+0¼	6.78
Mitsubishi Hvy 3½ 89WW	300	100⅝	101⅛	−1⅛	+7⅛	−10.80
Mitsubishi Hvy 3½ 89XW	300	91½	91⅞	0	−0¼	6.30
Mitsubishi Mat 3⅜ 89WW	100	105¾	106¼	+0¼	+1¼	1.53
Mitsubishi Mat 3⅜ 89XW	100	89½	89⅞	−0⅛	+0¼	6.12
Quebec Hydro 7⅝ 95	200	101¾	102¼	0	−0¼	6.83
Renfe 7⅞ 95	100	102⅝	103⅛	−0⅛	+0⅛	7.31
Soc Cent Nucleair 7⅞ 95	150	101½	102	0	0	6.90
Societe Cent Nucleair 8 91	100	105	105¾	0	−0⅛	6.80
Sth African Trans 7⅞ 92	100	91⅞	92⅜	−1⅛	−1⅜	9.20
World Bank 7 95	600	100¼	100¾	−0¼	0	6.92
World Bank 7¾ 89	100	102⅝	103⅛	0	−0¼	6.87

Average price change On day −0⅛ on week +0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa Cap Corp 5⅝ 94	130	† 101	101¼	−0¼	0	5.22
Brit land Corp 6½ 89	75	† 105	105¼	+1	+1	5.95
Council of Europe 6 92	120	† 102¾	103	+0¼	−0¾	5.49
Creditanstalt 5⅝ 94	100	† 100	100¼	0	+0⅛	5.48
Deutsche Bk Fin 5⅜ 95	100	† 102⅛	102¾	−0⅛	−0½	5.01
E.I.B. 5⅝ 94	120	† 102¼	102½	0	0	5.53
Gen Occidentale 4⅞ 94	90	† 103¼	103½	+0¼	+0⅛	4.05
Glendale Fed S&L 5½ 95	100	† 97¾	98	−0¼	+0¼	5.79
Ind Fund Fin 5¾ 94	40	† 101	101¼	0	+0¾	5.59
Int-Am Dev Bk 6⅛ 94	120	† 102¼	102½	−0¾	−1¼	5.78
N.Zealand steel 5⅝ 90	70	† 101	101¼	0	+1¼	5.61
Oberos Kiwk 5⅝ 95	100	† 100½	100¾	0	+0¾	5.26
Olivetti Intl 5½ 95	100	† 100¼	100½	−0¾	−0⅛	5.44
Pepsico 5¼ 95	130	† 101¼	101½	−0¼	+1	5.06
Ralston Purina 5⅜ 94	125	† 101¾	102	0	+0¼	5.11
Santos Finance Ltd 6 94	130	† 100¼	100½	+0¼	+0½	5.94
Tokyo Elec Pwr 5⅜ 90	120	† 101	101¼	0	−0¼	5.30
Tokyo Metropolis 5¼ 94	80	† 101¼	101½	+0¼	+0¾	5.06
World Bk 5⅝ 94	150	† 101⅛	101¾	−0¼	−0¼	5.52

Average price change On day −0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Caisse Nat Tele. 6⅞ 92	25	97⅞	98⅜	+0¾	+2⅛	6.58
Gdyr Tr & Rubber 7⅛ 95	25	101¼	101¾	+0⅜	+1½	6.90
Mort Bk Denmark 7 92	10	100⅛	100⅝	+0½	+1⅝	6.91
New Brunswick 7⅛ 93	10	100⅛	101	+0¾	+2⅛	7.01
Swed Exp Cred Zero 90	14	72¾	73¼	+0⅞	+1⅛	6.72

Average price change On day +0¾ on week +1¾

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Aust 12⅝ 90A$	50	92½	93½	+0¼	+0⅛	[illegible]
Creditanstalt 12⅞ 90A$	50	99⅜	99⅞	+0¼	+0¼	13.18
Pepsico Cap. Res. 13 90A$	30	101⅞	102⅞	+0¼	+0⅜	[illegible]
Swed. Export Cred 13 89A$	40	94⅜	95⅜	+0¼	+0¼	[illegible]
Amex 10¾ 90 C$	50	101⅛	102	0	+0⅜	[illegible]
Canadian Pac 10⅞ 90 C$	75	99⅜	100⅛	0	+0½	[illegible]
CIBC 10¾ 90 C$	75	† 100½	100⅝	+0⅛	+0⅛	[illegible]
Genstar Fin 11¾ 95 C$	75	101½	102	0	0	[illegible]
Montreal 11½ 95 C$	75	104¾	105¼	0	+0¼	[illegible]
Sears Acc. Co 10⅞ 92C$	75	† 98	98½	−0⅛	+0¼	[illegible]
Winnipeg City 10⅞ 90C$	50	103	103½	0	+0⅜	[illegible]
Chrysler Fin Corp 17 90NS	85	91½	92½	0	+0⅜	[illegible]
K.O.P. 10¾ 91 NS	50	90½	91½	−0⅛	0	[illegible]
Kredietbank Lux. 17 88 NS	70	100⅜	101⅜	0	+0⅛	[illegible]
B.N.P. 8⅞ 95 ECU	75	98½	99¼	+0⅛	0	[illegible]
IBM Wld Trade 8¾ 90ECU	150	101	101⅜	+0⅛	+0⅛	[illegible]
Sec Pac Aust 8¾ 90 ECU	100	98⅛	98⅞	+0⅜	+0⅛	[illegible]
Honda Motor WW 3⅞ 90FL	100	108	108⅝	0	+0⅜	[illegible]
Honda Motor XW 3⅞ 90FL	100	89⅞	90⅜	0	+0⅜	[illegible]
Thyssen 7¾ 90 FL	50	103	103½	+0⅛	0	[illegible]
Wereldhave 7½ 90 FL	75	101½	102	0	−0⅛	[illegible]
Wessanen 8¼ 90 FL	50	99⅜	99⅞	−0⅛	+0⅜	[illegible]
Mobil Corp. 11⅛ 90 FF	500	103⅛	103⅝	−0⅛	+0⅜	[illegible]
Australia Comm 11 92 £	40	99⅜	100⅛	+0⅛	+0⅜	[illegible]
BP Capital 10¾ 92 £	50	100	100⅛	0	+0⅜	[illegible]
E.I.B. 11⅛ 93 £	00	99⅞	100⅜	0	+0⅜	[illegible]
GMAC UK Fin 10½ 90 £	30	98¾	99¼	0	+0⅜	[illegible]
Imp Chem Inds 11¼ 95 £	75	100⅛	100⅝	0	+0⅜	[illegible]
Imp Chem Inds 10⅜ 92 £	75	97⅞	98⅜	0	+0½	[illegible]
Mcdonalds 10⅞ 90 £	40	100¾	101¼	0	+0⅜	[illegible]
Mitsubishi Fin HK 11 90 £	50	99⅞	100½	+0⅛	+0⅜	[illegible]
Privatbanken 11⅞ 92 £	20	100⅛	101	0	+0⅜	[illegible]
Rank Xerox 11 92 £	40	97¾	98¼	0	+0⅜	[illegible]
Royal Ind 10⅝ 92 £	60	97⅛	97⅝	0	+0⅜	[illegible]
Ster Drug Cap 10⅞ 90 £	30	100	100½	0	+0⅜	[illegible]
Tricentrol XW 11 92 £	35	95¾	96¼	0	+0⅜	[illegible]
Tsthouse Forte 11⅞ 90£	50	99½	100	0	+0⅜	[illegible]
World Bank 11⅛ 95 £	100	100⅝	101¼	0	+0⅜	[illegible]
C.O.E. 8⅝ 95 LF	600	98½	100⅛	0	0	[illegible]
Nat Lux Alum 10½ 92 LF	800	103⅝	104⅜	−0⅜	+0⅛	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Abbey National 5 2000 £	0	98½	98¾	1/11	11⅝	[illegible]
BankAmerica O/S 5⅛ 90	0⅛	99¾	100¼	30/12	8⅜	[illegible]
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.00	[illegible]
B.F.C.E. 5¼ 99	0⅛	100⅛	100⅜	23/12	8⅜	[illegible]
B.N.P. 5¼ 95	0	101⅛	101⅜	10/1	8⅛	[illegible]
B.N.P. 5¼ 95 (July)	0¼	99⅞	100⅛	20/1	8¼	[illegible]
B.N.P. 5¼ 99	0⅛	100	100½	9/1	8⅛	[illegible]
Britannia 5 93	0⅛	99⅞	100⅛	6/1	8	[illegible]
C.C.F. 5¼ 97	0	99⅝	100⅛	20/12	8.20	[illegible]
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅜	3/12	8.00	[illegible]
Citicorp 5 2035	0	98⅝	98⅞	27/11	8	[illegible]
Credit Lyonnais 5¼ 90	0⅛	100⅜	100⅞	11/10	8.00	[illegible]
Credit Lyonnais 5 00	0	100⅛	100⅜	10/1	8	[illegible]
E.E.C. 5 90	0	98⅝	99⅛	6/1	5.00	[illegible]
E.N.E.L. 5 90	0⅛	99⅞	100⅛	3/3	8	[illegible]
Ireland 5¼ 97	0	100	100⅛	28/2	8.00	[illegible]
Lloyds Bank Perp	0⅛	100	100½	8/12	8	7.98
Man. Hanover 5 97	0	99¼	99¾	22/11	8	[illegible]
Midland Bank Perp 5	0⅛	100	100½	13/12	8⅛	8.10
Nat West Perp A 5¼ S	0¼	100	100¼	9/1	8¼	[illegible]
Nat West Perp B 5¼ S	0¼	100⅛	100⅜	10/2	8.00	[illegible]
Royal Bk Scotland 5 Perp	0⅛	99¾	100¼	12/12	8	5.98
Roy Bk Scot 5¼ 2005 £	0	98⅛	99⅜	1/11	11.00	11.26
Societe Generale 5¼ 97	0	100⅛	100⅜	18/2	8¼	[illegible]
United Kingdom 5 92	0	99¾	100⅛	7/7	8	[illegible]

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	136	137	0	[illegible]
Comcast 7 2000	12/85	23.875	† 107	107½	−0⅜	[illegible]
Fanuc 3¼ 90	1/84	7032.3	107⅞	108⅝	−2¼	[illegible]
Fuji Hvy Inds 3 2000	8/85	676	96	97	−0⅛	[illegible]
Fujitsu 3 99	5/84	1320.9	98¼	100¼	+1⅛	[illegible]
Kumagai Gumi 3½ 2000	3/85	600	179	180½	+3	[illegible]
Marui 3½ 99	7/84	1162	182¾	183¾	−0⅛	[illegible]
Mitsubishi Bank 2⅞ 00	8/85	1768	98⅝	99⅞	+0⅜	[illegible]
Mitsubishi Elec 2⅞ 00	3/85	422	103⅜	104⅜	−0⅛	[illegible]
Murata 3½ 2000	7/84	2306	120⅛	121⅜	+2¼	[illegible]
Nippon Elec 2⅞ 2000	1/85	1295	116¾	117⅝	+3⅛	[illegible]
Nippon Oil Co 3 2000	5/85	923	107½	108¾	+0½	[illegible]
Oki Elec Ind 3½ 99	10/84	805	100¼	101⅛	+4⅛	[illegible]
Sekisui House 3 99	6/84	612	164⅞	165⅝	−1	[illegible]
Sumitomo Bank 2¾ 2000	8/85	2142	94⅛	95⅛	−0⅛	[illegible]
Sumitomo Corp 2⅞ 99	5/84	593	133	134	−0¾	[illegible]
Taiyo Yuden 3¼ 2000	3/85	1078	† 106	108	+3	[illegible]
Takeda Riken 3⅛ 2000	10/84	7683	† 185	187	+10	[illegible]
Tokyo Sanyo Elec 3½ 99	12/84	772	97¾	99	+2⅛	[illegible]
Toshiba Ceramics 3 2000	4/85	1734.2	98⅛	99⅞	−0⅛	[illegible]
Nippon Oil Co 2⅞ 92 SF	3/84	1052	† 101½	101¾	0	[illegible]
Nippon Shinpan Co 2 92 SF	3/84	801	† 183½	110	[illegible]	[illegible]
Asics 5 92 DM	12/83	520	100⅞	100⅞	−0⅛	[illegible]
Renown 3⅛ 90 DM	3/85	675	107	108	−0⅜	[illegible]
Sum Realty 6¼ 92 DM	2/83	336	† 303⅛	304⅛	−4⅞	[illegible]

* No information available–previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Record profits for Japan's trust banks

BY YOKO SHIBATA IN TOKYO

JAPAN'S SEVEN trust banks have reported record pre-tax profits and operating revenues for the half year to September.

Combined pre-tax profits jumped 63.2 per cent to Y135.5bn ($675m), in sharp contrast to the meagre 1.2 per cent gain reported by the country's 13 "city" or commercial banks. Along with an average 56 per cent earnings gain reported by the top four brokerage houses, the indication is that the securities marketplace is becoming a stronger focus of interest in Japan.

This in turn explains why so many foreign banks are eager to break into the trust banks' previous monopoly of Japan's private pension fund market. With a rapidly ageing Japanese population and management fees of 1 per cent of assets, these funds represent huge earnings areas.

During the half year, combinined operating revenue aggregated to Y1,826bn, up 24.8 per cent. Operating profits (before securities gains) by the seven banks also reached a record high of Y119.6bn, up 80.8 per cent from the previous year.

The improvement was attributed to expanding profit margins due to falling long-term lending rates, and declining dividend rates on loan trusts. Thanks to active management of loan portfolios in markets ebroad, profits from international operations came to Y64.1bn, up 68.1 per cent. Profits from securities investments soared by 281.1 per cent to Y18.5hn.

Combined financial resources at the end of the first half totalled Y72,726bn, up 6 per cent from the end of March. Reflecting a bullish bond market during the period, the outstanding balance of securities investments stood at Y31.83bn, up 16.2 per cent.

For the current half-year to March 1986, the seven trust banks expect continued favourable effects from declining dividend rates on loan trusts.

JAPANESE TRUST BANKS

Parent company results, half-year to September 1985 (September 1984)

	Gross revenue (Ybn)	Pre-tax profits (Ybn)	Net profits (Ybn)	Dividend (Y)
Mitsubishi	423 (358)	34.74 (18.29)	12.31 (8.40)	3 (3)
Sumitomo	393 (310)	36.33 (21.11)	12.40 (8.48)	3.5 (3)
Mitsui	244 (322)	22.93 (15.63)	10.35 (6.43)	2.75 (2.5)
Yasuda	311 (286)	19.27 (12.50)	7.37 (4.76)	3.25 (2.5)
Toyo	186 (170)	14.45 (10.90)	6.85 (4.27)	27.5 (25)
Chuo	112 (95)	5.16 (3.28)	1.92 (1.30)	27.5 (25)
Nippon	55 (48)	2.61 (1.27)	0.74 (0.89)	2.5 (2.5)

Foreign contenders search for a niche

BY CARLA RAPOPORT IN TOKYO

NINE FOREIGN banks were allowed to open trust banks in Japan this summer, but only a minority will be open for business by the year end. Nonetheless, no one in the business expects trust banking in Japan to be the same again.

So far, only Morgan Guaranty, Bankers Trust and Chase Manhattan of the US have announced their plans, with Chase opening its doors this week. Three other American banks (Manufacturers Hanover, Chemical and Citibank), two Swiss (Credit Suisse and Union Bank) and Barclays of the UK are expected to start business some time next year.

Japanese trust banks bandle long-term investments, such as pension funds and corporate investment portfolios. The Japanese pension fund business is expected to swell by around 15 to 20 per cent per year for the next 20 years, but the foreign banks are not optimistic about making major inroads into this market.

Instead, they are eyeing the corporate investment management business. With overseas investments by Japanese companies still on the rise, they reckon their chances are good for grabbing a good chunk of this business away from the eight domestic trust banks.

"Net capital outflows from Japan will continue for years," says Mr Robert Binney, Chase Manhattan country manager for Japan. "I want to get into that business." Mr Binney aees the techniques used to enhance returns on overseas business being applied in the domestic market as well.

"I can bring two things to the party. First, dollar fund management expertise and modern financial management techniques such as sophisticated computer simulations. Second, I can apply these same techniques to yen accounts. With them. I can easily out-perform the Nikkei Stock Average," he says.

The new Chase bank, along with most of the other foreign trust banks, will zero-in on niche markets such as property. "There is no way a Japanese trust bank can say they know the US real estate business better than us," Mr Binney says.

The Japanese pension business, headmits, will be tough to crack as it depends on long-term relationships between company and bank. The foreign trust banks, however, are hoping to begin with foreign subsidiaries' pension funds, in addition to their investment management and money trust businesses.

Despite the excitement surrounding the new trust banks, more than a few are sceptical about whether the newcomers can make a profit on their business in less than three to five years. And by that time, they warn, the trust banks may be facing competition from the Japanese commercial banks who are expected to move into trust banking as a result of further financial deregulation in Tokyo.

Indeed, the profit and loss accounts of the foreign banks have not made cheerful reading in recent years. Chase, for example, recorded a Y1.6bn net loss last year. Among those keeping it company in the loss-maker category were Barclays and National Westminster.

Mr Binney reckons Chase's new bank will be in the black within two to three years. Mr Osamn Toba, seninr vice-president of Morgan Guaranty Trust, said recently in Tokyo: "We will start small, as a portfolio manager, as a trustee in a pension fund. It will be difficult to get clients."

Morgan and Chase bave decided against formal link-ups with Japanese trust banks to get going and instead have had informal. nperatinnal support in the early months. "After that, we will be on our own. A long-term link to a Jepanese trust bank may be a liability. Short-term, thc benefit is obvious: introductions," says Mr Toba.

Poor local interest in SIA flotation

BY CHRIS SHERWELL IN SINGAPORE

SIX SUCCESSIVE days of falling share prices, taking the local stock market to a 34-month low, have created an unexpectedly inauspicious setting for the much-vaunted public offer by Singapore International Airlines (SIA), the island State's national flag carrier.

The decline, attributed directly to the sudden financial crisis which surfaced at Pan-Electric Industries last week, dragged the Straits Times Index of 30 top industrial stocks down another 11.6 points yesterday to 717.6. This compares with 762.2 at the beginning of last week.

Pan-Electric shares were suspended on November 19, along with those of Growth Industrial Holdings, which has a 31.6 per cent stake in the company, and Sigma International, which holds 22.6 per cent.

Pan-Electric hed failed to make a S$7.5m (US$3.6m) debt repayment the previous day, and has a total of S$400m in debts. Despite progress in formulating a rescue plan to stave off bankruptcy, the market fears trouble both for these and related companies, and for certain stock-broking firms.

Some banks last week decided immediately to cut all lines for financing SIA share purchases and as the market has continued to fall many bankers and brokers have reported that local interest is low and the pace of share applications is going badly.

The deadline for subscriptions in Singapore is today, and the outcome is due to be announced tomorrow. A total of 50m ahares is on offer at a price of S$5, but the so-celled "grey market" price has fallen to S$5.20, too low for "stags" to finance their borrowing and make a profit.

As interest from abroad remains strong—some say it is now being deliberately encouraged—there is no question of the issue not being fully subscribed. But earlier forecasts of an oversubscription by eight times or more for the Singapore offer and private placements abroad now look over-optimistic, especially as tens of millions of shares in the hands of SIA staff are "overhanging" the market.

Minor shareholders in Pan-Electric, Growth Industrial Holdings, and Sigma have meanwhile been given no official explanation for last week's trading suspension, and most stock market watchers remein in the derk.

A steering committee for Pan-Electric's 30 bank creditors went into a further day of meetings yesterdav with no public statement on a proposed rescue plan. The outlook for the stock market as a whole is generally agreed to be gloomy.

Further losses at Federale Volksbeleggings

FEDERALE Volksbeleggings (FVB), the Sonth African industrial holding group, continued to suffer losses in the half year to September, partly because of the higher cost of servicing debt and preferred shares, Jim Jones reports from Johannesburg.

The group is gradnally selling lossmaking divisions, but according to Mr Johan Moolman, the managing director, asset sales will not be made at prices substantially below book velues. Mr Moolman does not expect a profit to be generated in the second half.

First-half turnover increased to R1.04bn ($391.3m) from R967m, but operating profits before interest, investment income and tax fell to R62.2m from R68.5m, and pre-tax profits were R20.7m against R34.1m.

A higher tax rate and an increase in minority holders' shares of subsidiary profits left an attributable loss of R7.4m compared with profits of R7m.

Turnover was R1.84bn for the year to March 1985, operating profits were R119.7m, there was a pre-tax loss of R34.6m and an attributable loss of R64.8m.

The electronics, building materials, chemicals, and agricultural equipment divisions all made losses during the half year. Capital expenditure was limited to the bare essentials but a shortage of cash led to the decision not to take up rights to the R40m share issue by Fedfood.

The first-half loss was 15.7 cents a share against profits of 14.8 cents and an interim dividend has not been declared. Last year's total loss was 137.4 cents a share and no dividends were declared.

Pioneer Electronic falls into the red

BY OUR TOKYO STAFF

PIONEER ELECTRONIC, Japan's leading maker of audio equipment, tumbled into a consolidated net loss of Y2.45bn ($12.2m) in the year to September.

The sharp downturn from the previous year's net profits of Y8.07bn was blamed on a loss of some Y7bn at a US sales subsidiary, combined with the parent company's steep fall in profits, and a apecial charge of Y5bn accruing on disposala and write-offa on inventories of video disc players.

Group profits before tax were down 76.2 per cent to Y4.64bn, on sale of Y341.08bn, up 8.5 per cent from the previous year.

The performance reflected parent company pre-tax profits of Y5.32bn, down 63.8 per cent, and net profits of Y2.14bn, down 70.1 per cent, on sales of Y260.27bn, up 5.2 per cent. The parent company—results of which were also reported yesterday—more than halved its annual dividend to Y12 per share from Y25.

During the year, Pioneer suffered a sharp fall in sales of audio equipment in the domestic market. Slack sales of video disc players overseas were, however, more than offset by efforts to expand its share of the domestic market.

Sales at the video equipment division rose 31.8 per cent to account for 18.9 per cent of total turnover. Sales of car electronics, chiefly car stereo systems, advanced by 5 per cent to account for 36.4 per cent of the total.

On a consolidated basis, domestic sales rose 15.6 per cent. Overseas sales were ahead 1.3 per cent to account for 60.7 per cent of the total turnover, down from 63.8 per cent in 1983-84.

For the current year, Pioneer expects a favourable effect from a rationalisation programme including inventory cuts instituted in the previous year. Parent company pre-tax profits are projected at Y5.5bn, up 3.4 per cent, with net profits of Y2.5bn, up 17 per cent, on sales which at Y270bn would be up 3.7 per cent from the previous year.

It hopes to return to the black on a consolidated basis.

INTL. COMPANIES & FINANCE

South Korea takes another step on the road to liberalisation

BY STEPHEN BUTLER IN SEOUL AND PETER MONTAGNON IN LONDON

RARELY do investors enjoy the chance of buying into a stock market where prices are clearly on the verge of an explosive rise. Such an opportunity is, however, now apparently looming as South Korea moves to open equity ownership to foreigners.

As the pace of liberalisation gathers force, extravagant and mouthwatering forecasts suddenly abound. "I believe that stock prices will rise to twice or three times their present level within two years after allowing securities investment by foreign investors in Korea," says Mr Jae Ryong Kim, managing director of Dongsuh Securities which this month opened an office in London.

Yet some observers are already sounding a note of caution.

Not least among the problems thrown up by the Korean approach is the difficult choice facing the authorities between gradualism and a sudden, total freedom in capital movements. While the latter could cause unbearable economic strain, the former carries the risk that share prices will become distorted in the run-up to liberalisation, making them less attractive to those foreign investors whose cash is supposed to benefit the country.'

The background to Korea's decision earlier this month to allow 14 leading companies to issue convertible Eurobonds lies in a long-term policy of financial market liberalisation decided in 1981 when, says Mr Y. J. Kang, a senior Finance Ministry official, internationalisation was recognised to be "an essential policy measure in order to realise long-term economic development."

But the timing of Korea's moves also reflects the more urgent problems of an economy struggling to service $45bn in foreign debt, much of which has been incurred by the private sector. Korean companies are now widely regarded as being heavily over-borrowed and badly in need of a fresh injection of equity; gearing ratios of 350 per cent are avaraga.

Borrowing made sense for companies five years ago, when inflation ran ahead of bank interest rates. Yet when real rates began to rise, companies found Korea's own capital markets unable to respond. They were obliged to continne to pay high interest rates on the funds they needed, to the delight of many Korean savers. Company dependence on bank borrowing and an accumulation of bad debt by the banks have severely hampered the development of an efficient banking system.

Regulations also hampered the free development of capital markets. Companies resisted public offerings because of rules that forced them to sell to the public at par value, regardless of how much the company had grown. Oversubscriptions of 20 to 40 times were treated publicly as a sign of successful flotation rather than a failure of pricing.

These regulations continue to plague the market. Only a few companies may issue shares above par, at a formula-determined premium that can vary widely from the market price. Underwriters must guarantee share prices for 30 days, making subscription risk-free, and creating a strong incentive to under-price issues.

Although formal controls over dividends have been lifted, informal pressures from the banks discourage companies from declaring a dividend in excess of prevailing bank interest rates.

From the point of view of foreign investors seeking new outlets for their funds, Korean shares are, however, regarded as an exceptionally good buy. Prices have been held down by an oversupply of stock and lack of demand in the narrow domestic market, where 340 companies are now listed.

There is little institutional buying and only 720,000 individuals hold shares; most prefer to invest in property or high-yielding money market instruments. As a result, Korean companies trade on very low price/earnings multiples, averaging about 5.4 compared with more than 20 in Japan and about 11 in the US and Europe.

That, however, is where the common interest between Korea and potential foreign investors begins to break down. Already the first convertible Eurobond issue, a $20m deal for Samsung Electronics, has turned out to be controversial.

The problem lies in setting the conversion premium for the shares in a rapidly rising market. Samsung shares rose dramatically as it became known that the bond issue was on its way. In the week the issue was announced they gained 22 per cent to 1,310 won compared with a low for the year of 750 won. By the time conversion becomes possible in 1987, they may have risen a lot further, yet if the premium is set too high over current prices the issue could fail to attract investor demand.

Lead managers S. G. Warburg and Goldman Sachs have devised a complicated formula for getting round this, but is already points to one major difficulty for the emerging market. Since local investors will know in advance which companies will be able to sell their shares abroad, they may drive up the prices to a level which ceases to be attractive to foreign buyers.

In other words the bonanza may not turn out to be quite what some foreign investors now expect.

In theory, there are many reasons why the Korean stock market should have big growth potential. Korea's record is that of a dynamic, rapidly industrialising economy with total exports of $30bn. Its stock market capitalisation at the end of the 1984 was only 7.9 per cent of gross national product.

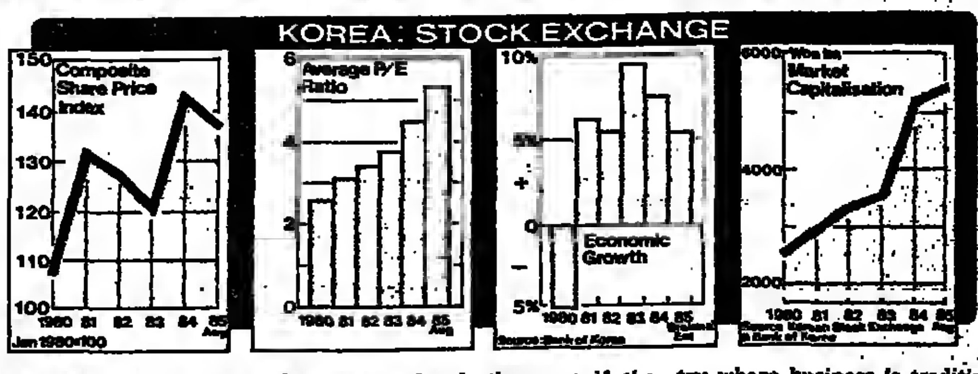
But it is also a thin market whose capitalisation of $6bn makes it only about a quarter of the size of the entire market value of British Telecom. If that raises questions about the liquidity for foreign investors, then the weakness of the won and the uncertain outlook for Korea's economic and political development could also raise doubts about the actual trend in share prices.

Some bankers argue that the Korean authorities will in fact be fairly happy if liberalisation fails to produce a big surge in foreign capital inflows as a result of these problems. Not only would this mean that most profits from higher prices would accrue to local investors; it would also relieve worries that the ownership of companies is spreading too rapidly in a country where business is traditionally in family hands.

Not all companies eligible to issue convertible bonds are jumping at the chance. Mr S. W. Lee, manager of finance at Kia Motors, says that while his company is attracted by the possibility of low interest financing, its management does not want to lose control of shareholders by expanding the pool of owners.

Despite this caution, however, there is no doubt that the first issues of convertible bonds mark a key step towards internationalising the Korean stock market. Pressures will continue building to remove restrictions on pricing issues and on dividends, and to raise disclosure standards for companies.

Put another way, some bankers regard Korea's stock market as being in a position similar to that of Japan's 30 years ago. Even today, Japanese stocks are not always easy for foreigners to trade. And that suggests that in practice, the road to libaralisation in Korea will be long and hard.



APPOINTMENTS

Senior Trafalgar House Group post

YOUNG AUSTEN & YOUNG, a part of the new specialist mechanical and electrical engineering division established within the Trafalgar House Group, has appointed Mr Brian S. Greenstreet its managing director. Mr Greenstreet joined Young Austen & Young from Cleveland Redpath Engineering Services where he had been managing director since its acquisition by Trafalgar in 1982.

★

Mr Michael J. Butler has been appointed managing director of HEINOLD COMMODITIES.

★

Mr Edward E. Elson, who was the chairman and controlling shareholder of the Elson group of companies in the US recently acquired by W. H. Smith, has been appointed a director of W. H. SMITH AND SON (HOLDINGS) and of W. H. Smith and Son.

★

Mr Frank Stenner has joined BMW (GB) as finance director in succession to Mr E. Pothmann. Mr Stenner was previously head of group finance of BMW AG in Munich. The director of UK sales operations at Rolls-Royce Motors, Mr Tom Purves, is to join BMW (GB) as sales director. He succeeds Mr Greenhill, who is leaving to form his own marketing consultancy.

★

After nearly three years in France as head of Leyland subsidiary, Leyland Vehicules Industriels, Mr Roger Dougherty returns to the UK as European operations director, LEYLAND TRUCKS. He heads a team to spearhead the company's return to key European markets outside France and Benelux.

★

Mr Richard C. Harding has been named finance and administration director for PRIME UK. Formerly financial controller, he replaces Mr Robin Shelton, who recently joined Prime's European headquarters as director, finance and administration.

★

AGB RESEARCH has made the following appointments at group companies: Mr Leigh Emery has been appointed deputy managing director of AGB PUBLICATIONS. He was previously general manager and managing director of Murray Publishers Pty in Australia: Mr Malcolm Stirling has been made a director of AGB Impact. He was previously new product development manager. Mr Graham Woodham will be joining Questel Qualitative Studies as managing director. He joins Questel from QRU, the qualitative research subsidiary of Research Bureau, where he was managing director. Mr Peter Roslow has been appointed vice president and general manager of Information and Analysis Inc, Hicksville, New York. He was previously vice president—client service and marketing with I. & A.

From January 1, Mr David Frost will become chief executive of the WALSALL CHAMBER OF COMMERCE AND INDUSTRY, one of the largest industrial Chambers in the UK representing some 1,250 member companies.

★

The YASUDA FIRE AND MARINE INSURANCE COMPANY (UK), has appointed as general manager and director Mr Brian J. Pearce, and as company secretary and director Mr Kenneth C. Johnson.

★

MANUFACTURERS HANOVER, London merchant bank of the Manufacturers Hanover Group, has appointed Mr Ray Turnbull as an executive director responsible for fixed and floating rate eurobond trading. He was a vice president of the Citicorp trading operation in London. Mr Kevin Morgan will also be joining Manufacturers Hanover as a senior member of the trading team with specific responsibility for the creation of a product flow to the other merchant banking units of the Manufacturers Hanover Group. Mr Morgan was also a vice president with Citicorp. Mr Kenneth G. McCracken has been named a vice president at MANUFACTURERS HANOVER TRUST COMPANY. He is with the UK domestic group.

★

Mr Geoffrey Myers, who was appointed vice-chairman of BRITISH RAILWAYS BOARD last April, is to assume responsibility for the total management of the railway business, supported by two joint managing directors. Mr J. J. O'Brien, board member and joint managing director (railways) will be responsible for business direction. Mr David Kirby, currently director London and south east, is appointed joint managing director (railways) from December 1, with responsibility for current operations and engineering. Mr Chris Green, general manager, Scottish Region, since April 1984, becomes director London and south east from January 6. Mr Jim Cornell, deputy general manager, Scottish Region, takes over as general manager in Glasgow from the same date.

★

Mr Harold Booth, managing director of GOLDENLAY EGGS is to retire at the end of March next year. He will be succeeded by Mr Peter Kemp.

★

ROCHE PRODUCTS has appointed Mr A. M. Keesler managing director. Mr R. E. Heskell, the production and site operations director (Welwyn), is retiring early at Christmas on the grounds of ill-health. His place on the board will be taken by Dr J. A. Goldsmith. Dr P. C. Sharpe joins the board as medical director.

CONTRACTS

£12.7m Iraqi pump station project

PATERSON CANDY INTERNATIONAL, the London-based water treatment subsidiary of Portals Holdings, has been awarded the mechanical/electrical equipment contract for a pumping station for Baghdad Water Supply Administration. The station will take water from PCI's new treatment works at Karkh and from Saba Nissan Treatment Works. It will deliver a blend of these waters, at a rate of 9.6 cu metres per second (180m gallons per day), into the trunk pipelines serving the Rasafa district of Baghdad. The order includes the engineering, provision and installation of six 2,000 kW pumps, a battery of seven steel surge-suppression pressure vessels (each 4m diameter, 11m high), pipework, manifolds and some 30 valves of 800, 1000 and 1600mm bore, water chlorination equipment, flow, pressure and level monitoring, together with control, supervisory and telemetry systems, 11kV switchgear and twin, 2.3MW, diesel alternator sets for standby power, plus all building services. The contract has a 28-month duration and will be 85 per cent financed through merchant bankers Morgan Grenfell, supported by ECGD, under an existing government-to-government project finance protocol.

★

Four intercity 125 high-speed train (HST) power cars are to receive new engines in a bid to increase train reliability. Under a contract worth around £750,000 awarded by British Rail to MIRRLESS BLACKSTONE (STAMFORD), a Hawker Siddeley company, four MB 190 diesels each rated at 1,790 kw (2,400 bhp) will be used for in-train trials to assess the suitability of these engines for rail traction duties. The engines will be installed by mid-1986. British Rail's HST 125 units are some of the most intensely worked trains in the world with many East Coast sets covering over 1,000 miles every day. The BR requirement is for an engine which can directly replace the existing diesel with a minimum of modification to engine room layout, ancillaries and control equipment. The 12 cylinder MB 190 has been chosen to provide reliable operation combined with long service intervals. Changes in the location of the engine-driven pumps and turbocharger were necessary to suit the installation, together with provision for a power take-off to drive the cooling equipment. The engine frame has also been modified to accommodate the existing traction alternator.

★

HOLROYD MACHINE TOOLS AND ROTORS, manufacturer of specialist equipment for the screw compressor market, has been awarded export orders worth £1.25m from Japan and Czechoslovakia. Holroyd, a member of the Renold Group, will supply a 2E CNC rotor milling machine to The Kobe Steel Company of Japan. Delivery is scheduled for early-1986. The CKD Compressor Factory in Prague has ordered 2AC and 5AC milling machines together with ancillary equipment. The first machine is due for delivery before the end of 1985 and the rest of the order in early-1986.

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Contracts and Tenders

Allied-Lyons surges 22% to £123m

BY CHARLES BATCHELOR

Allied-Lyons, the food and drinks group which is fighting off a record £1.8bn takeover bid from Elders IXL of Australia, yesterday announced a 21.6 per cent rise in pre-tax profits to £122.6m in the six months ended September 1985.

Sir Derrick Holden-Brown, Allied chairman, said: "With many of the positive factors in the first half continuing, I believe the outlook for the group for the second half of this year and beyond is excellent."

The improvement in Allied's performance prompted several stockbrokers to upgrade their forecasts for Allied's profits in the year ending March 1986 to between £260m and £265m from their previous levels of £245m to £255m. For the year ending March 1987 they raised their forecasts to £300m to £310m.

The immediate stock market reaction, however, was to wipe 9p off the Allied share price, reducing it to 287p, still 32p above Elders' offer of 255p per share.

Allied appeared to have resisted the temptation to cram all the goods news into its half-year statement as a defence tactic, analysts said.

"They haven't come up with figures which look so good that you are prompted to look at them extra closely," said one. "It looks to be a genuinely good increase in profits."

Elders said the Allied results were "basically what we would have expected." Mr Andrew Cummins, director of strategy, said Allied appeared to be keeping something in reserve for its defence document which will be sent out shortly.

Pre-tax profits rose from last time's £100.8m to £122.6m in the 28 weeks ended September 14.

A continuing reduction in the tax rate led to a 27.3 per cent improvement in earnings per share from 8.8p to 1.2p. The interim dividend is being lifted from 2.6p to 3.25p net per share.

The poor summer weather affected all three divisions—beer, wines, spirits and soft drinks and food—but group turnover still rose from £1.6bn to £1.71bn. Trading margins increased from 6.8 per cent to 7.2 per cent.

Pre-tax profits of the beer division rose 20 per cent, from £54.4m to £65.3m, following a reorganisation of the sector last December and with the benefit of a continuing improvement in productivity.

Pre-tax profits of wines, spirits and soft drinks, rose 17.3 per cent from £27.2m to £31.9m. Light wines and British wines recorded considerable sales advances.

The food division increased profits by 16.7 per cent from £25.1m to £29.3m. Substantially lower profits from the UK ice-cream business partially offset a good performance by UK and overseas food companies and in hotels and catering.

Central finance charges less investment income took £3.9m, compared with £5.9m previously.

Allied included its share of profit from its 24.9 per cent holding in Castlemaine Tooheys, the Australian brewer, up to the date of disposal of the stake on August 23. In the second half there will be reductions in interest charges and in preference share dividends paid to minorities following this disposal.

See Lex

Rothmans' profit fall worse than feared

Rothmans International's shares yesterday fell to within 6p of this year's low immediately after the announcement of sharply lower interim profits which failed to match the bottom end of a fairly wide and already downgraded range of City estimates.

At £58.8m pre-tax, the result compared with the corresponding period's £84.4m and estimates of between £60m to £70m. The shares, which have had a high of 200p and a low of 112p, closed at 121p, down 5p on the day.

Rothmans' was again hit by problems at Carling O'Keefe, the Canadian brewing company, and in the West German tobacco market.

Carling, which suffered a £17m fall in profits, had to shoulder costs from introducing new packaging and from labour disputes in addition to a further decline in volumes.

Tobacco, Rothmans' core business, returned lower profits of £73.4m, against £83.5m, after rationalisation costs of £7m. Demand in Europe remained depressed and there were problems in the Middle East.

In addition, the group's results were depressed by net interest charges more than double from £3.9m to £8.6m.

Problems at Carling became evident in the middle of last year and Rothmans, chaired by Sir Robert Crichton-Brown, who had forecast a difficult year, says things do not look any more settled and it will be some way in 1986 before a better performance can be expected.

Action has been taken in tobacco operations which includes a new product launch in Canada to strengthen market share and the forging of a partnership with local trading interests in Japan to give a firmer base for market penetration.

Other operations, encompassing luxury consumer products, continued to improve performance with Dunhill and Cartier both increasing operating profits.

Group turnover for the six months to end-September 1985, was lower at £744.8m against £779.1m. Earnings per share fell from 14.7p to 8.2p and the interim dividend was unchanged at 2.2p.

See Lex

BPB Industries rises 14% to beat forecasts

IMPROVED RESULTS from its building materials companies in the UK, France and Canada and lower interest charges helped BPB Industries' taxable earnings improve by 14 per cent to the six months to the end of September 1985.

On turnover up by £15.6m to £299.4m the pre-tax profit came out at £46m, against £40.4m last time, £3m above most forecasts. From earnings per 50p share of 14.9p (12.9p), an interim dividend of 3.5p is being paid, compared with last year's 3.1p.

Sales volume for gypsum-based products in the UK was similar to last year, but the benefits from the new plasterboard lines at the East Leake factory were reflected in better margins for British Gypsum. Operating profits for the UK and other minor overseas activities improved from £23m to £25.1m.

In Canada, where operating profit rose to £6.9m (£5.1m), sales volume increased, helped by continued exports to the US. During the period the Westroc Industries offshoot acquired the Genstar Gypsum plant in Vancouver where it had closed a smaller plant earlier.

Margins in the UK paper and packaging division were reduced mainly by higher raw material costs and operating profits fell from £5.7m to £5m. However, Mr A. G. Turner, chairman and chief executive, says that waste paper costs have fallen and improved results are expected in the second half.

Operating profits in the other divisions were building materials: France and Italy £4m (£2.5m); Ireland £1m (£1.2m); overseas paper and packaging £400,000 (£100,000). Total operating profits came out at £42.4m (£37.6m).

The share of profit from associates fell from £4.6m to £3.9m. Mr Turner says they were hit by the severe winter in Europe and adverse currency movements.

Interest payable fell from £1.8m to £300,000.

The tax charge was £28.5m (£24.8m) and with minorities taking £100,000 (£200,000) and dividends absorbing £6.7m (£5.9m) the retained profit came out at £21.7m, against £18.7m last time.

● **comment**

The market appears to have changed its mind about BPB. This summer the City took exception to a small decline in profits and toned down its earlier enthusiasm over the prospects of the wireline logging system developed by BPB Instruments. The shares, which then fell to 205p, are now at 308p, a rise quite out of proportion with a meagre 13 per cent increase in pre-tax profits at the interim stage. However, better profits have been achieved despite flat demand for plasterboard, as the sweeping economies of scale from the East Creek plant have started to show. Not only are there further efficiencies to be squeezed from that plant, conditions in the industry are improving and should look sparkling against the grisly winter of last year, while lower oil and waste paper prices should also reduce costs. Abroad things look better too: in Canada capacity has been cut, and price controls have been relaxed in France. Meanwhile, BPB is generating cash with awesome ease, and is already back to a position of nil borrowings following the huge capital expenditure of the past three years. Profits of £92m this year would put the shares on an undemanding prospective p/e of 12.

Crown House seeks £5.6m for expansion

TO ASSIST its principal objective of raising profitability by the expansion of its two separate and distinct activities, the Crown House group is asking shareholders for nearly £5.6m net by way of an underwritten rights issue.

Proceeds will refinance the investment in George Butler Silversmiths, which cost £400,000 to purchase in June and has required some £4.3m working capital, reduce borrowings and provide for expansion. The group is also pulling out of overseas contracting, thereby removing its major risk area.

The rights issue accompanied the statement for the half year ended September 30 1985, which shows an 11 per cent improvement to £1.63m in pre-tax profit.

The rights will involve the issue of 4.5m shares at 130p each on the basis of one-for-five for holders registered November 18. Last day for acceptance and payment in full is December 18.

An interim dividend of 3p net is declared on the present capital, against 2.75p last time. The directors intend to recommend a lift in the final from 4.25p to 4.75p on the larger capital.

Crown House supplies engineering services and products to industry, and tableware products to the consumer. It plans to expand the engineering contracting facility but this will be confined to the UK. The range in the tableware division (which includes Denby) will be increased and the operations expanded into other tableware and giftware items.

Turnover in the half year rose from £84m to £93.6m. A split of pre-tax profit shows engineering contributed £796,000 (£774,000), tableware £803,000 (£521,000), and finance and property £35,000 (£16,000).

Earnings are shown at 7.1p (3.8p) per share.

● **comment**

Despite its steeplejack activities, Crown House has no head for heights when it comes to gearing. So it has decided to make a modest call on the market in order to eliminate most of the borrowings incurred as a result of the George Butler acquisition. Net debt of around £7.5m will be reduced to less than 10 per cent of shareholders funds by the rights. Also, by March almost all the group's Gulf and South African connections should be severed at the cost of the £1.2m provided for in these figures. The tableware half of the company is predominantly a marketing organisation rather than a manufacturing one — and this is a balance that will need to be kept in mind specifically as far as the Butler factories are concerned. The other half of Crown, UK mechanical and electrical contracting, could do with some bigger contracts (with more cash up front) but is benefiting from a lot of smaller quick turnround jobs. The shares were unchanged at 152p against the offer price of 130p, an indication that the market does not fear dilution in this case. On a forecast of £7m for the year and with a 45 per cent tax rate the shares are trading on a prospective multiple of 9.5 — but surely not for long.

Apricot Computers suffers £4.6m loss

Apricot Computers' 12-year run of profits growth has been abruptly halted with the group suffering a £8.42m turnround to losses of £4.6m in the six months to end-September 1985.

The company, chaired by Mr L. C. Bury and formerly known as Applied Computer Techniques, blames the downturn on substantial losses by French and German subsidiaries and associates, and lower than budgeted sales because of slower growth in the personal computer market.

Group turnover rose from £35.73m to £48.13m but trading profits declined by nearly 67 per cent from £3.81m to £1.27m and were further depressed by £5.88m of exceptional stock provisions.

Net losses, after a £1.17m tax credit, were £3.43m against profits of £2.1m. Closure of Apricot Computer GmbH cost £1m leaving the attributable loss at £4.43m (profit £2.1m).

Despite this, and with a 6.6p loss per share, the interim dividend is unchanged at 0.35p.

Regarding prospects, the chairman says that Apricot is "well placed to be as profitable in the future as it has been in the past." Taxable profits in 1984-85 rose to £10.65m on turnover of just over £92m.

● **comment**

It was not entirely perverse of the market to add 5p to the Apricot share price on receipt of yesterday's interim figures. Though losses were bad, indeed somewhat worse than expected, combination of stock provisions, closure costs and staff reductions at least promises a return to profits next year. Twenty per cent off overheads should be worth around £7m to operating profits; improving results in the joint retailing venture and the elimination of losses from the German sales company should help pre-tax profits towards £10m. Though about £8m of cash seems to have run out of Apricot this year so far, the balance sheet still seems strong enough for next year's p & l not to be spoiled by a significant interest charge. However, pruning of costs and of the lower reaches of the product range—the F-series is to join Apricot's ill-fated portable on the discard list —do n[illegible] long term growth. Apricot's problems, erosion of its basic market from below by Amstrad and a squeeze from above on its more sophisticated business products by IBM and many IBM-clones, make future profits hard to value at a high multiple. At 65p, asset-backing of about 52p per share may be a more relevant consideration.

Property sale boosts Carless

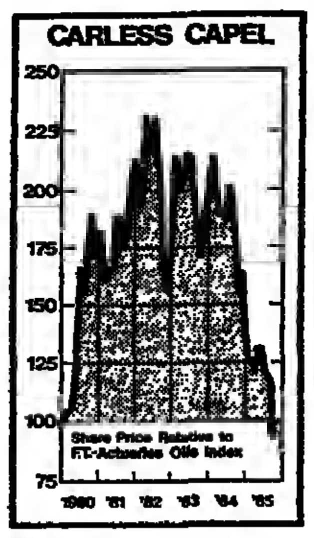
REFLECTING THE inclusion of a £2m surplus on the sale of its redeveloped former headquarters in Cannon Street, London, Carless Capel & Leonard, the oil exploration and solvents group, lifted pre-tax profits by 58 per cent from £3.08m to £4.88m in the six months to September 30 1985.

At the operating level, profits more than doubled from £3.12m to £7.83m and included a first time contribution from the group's $40m North American oil and gas acquisition which was completed in April.

This acquisition however, which was made for cash, had the effect of lifting interest charges from £198,000 to £3.09m in the half year.

Tax charge was up from £327,000 to £1.08m and after minorities, net attributable profits came through 37 per cent higher at £3.76m (£2.74m). Stated earnings per 10p share rose from 3.6p to 4.9p, while the net interim dividend is unchanged at 1p — last year's total payout was 2.75p on £8.55m pre-tax profits.

First-half turnover of £79.93m (£53.3m) and operating profits were split between:— oil and gas production £8.55m (£3.91m) turnover and £3.73m (£2.3m) profits; hydrocarbon solvents and chemicals £33.69m (£28.07m) and £1.82m (£0.8m); petroleum fuels marketing £37.69m (£21.32m) and £656,000 (£249,000). Other income, less expenses, added £1.63m (took £227,000) net.



Tax of £0.75m on property sale profits has been provided. The company says it is currently preparing to arrange the redevelopment of another Cannon Street site which it owns.

In the US, the acquisition from LTV Steel in April, more than doubled the group's oil and gas reserves in that country. Sales under the long term supply contract with LTV have been as anticipated and total production in the US is currently about 14m cubic feet of gas per day.

● **comment**

Carless, Capel & Leonard has slightly disappointed with these interim figures—all the more as £2.1m from the sale of the company's redeveloped former headquarters has been taken as a part of operating profits. A further £450,000 occasional gain from solvent trading could also be stripped out. This would leave pre-tax profit about £1m behind those in the comparable half of 1984. Even more disconcerting has to be the state of the balance sheet. April's $40m US purchase and the continuing high exploration spend (much of it unsheltered by resource taxable production revenues) have boosted gearing up to 100 per cent of shareholders' funds. And with spending heading for a peak next year this is hardly the time to be complacent over debt. Mr Ian Chubb, the new managing director, has his work cut out to unwind borrowings and make exploration expenditure more tax efficient. Aiding him on the positive side is the good money still being made on the group's traditional solvents business. The shares, down 5p at 112p, reflect the market's expectation that no more than last time round, £8.5m, is likely for the year. Interest payments of £6m will consume all increases at the operating level.

W. H. Smith buys music shop chain for £5.5m

W. H. Smith, the bookseller and newsagents group, is paying up to £5.5m cash for Music Market, which operates a chain of 20 music shops.

Smith recently started its own recorded music chain known as Sound FX and plans to have 10 stores open by Christmas.

Music Market made a pre-tax profit of £170,000 on turnover of £4.01m in the year ended September 1985. Net tangible assets at the year end were £699,971.

Smith will pay £2.5m on completion with a further £3m dependent on profit growth at Music Market in the year ending September 1986.

The chairman and controlling shareholder of Music Market is Mr Ian Howard, aged 35. Alan Patricof Associates is a substantial minority shareholder.

Mr Malcolm Field, Smith's managing director, said the purchase of Music Market would allow Smith to accelerate the growth of its recorded music chain. Initial results of the first Sound FX shop in Slough were encouraging.

The two chains would form a base for a national network of music shops.

Beazer spells out offer

C. H. BEAZER'S £117.8m offer for French Kier, construction and property group, values it at 53.3 per cent more than its net asset value, according to Beazer's official offer document.

The offer, which values each French Kier share at 237p with a cash alternative of 225p, provides an increase in capital value of 75.8 per cent (66.7 per cent for the cash) and an increase in income of 44 per cent (127.3 per cent for cash).

The document says the merger would represent a big strategic step for Beazer and would realise both companies' objective of creating a broadly based international construction and property group.

"You will note that your directors, in rejecting the offer, have not disputed the logic of creating a business with large contracting and housebuilding activities, as we are proposing to do. Indeed they are moving in that direction in their offer for Abbey."

Handful accept Guinness Peat bid

Guinness Peat, the financial services group, yesterday revealed that it had gained only a handful of acceptances for its £212m bid for Britannia Arrow, the banking and investment group.

Guinness, advised by Morgan Grenfell, said that by last Monday, the first closing date of the offer, it had received acceptances in respect of 426,541 ordinary shares (0.28 per cent) and £5,950 nominal of Britannia's 9 per cent convertible unsecured loan stock 1995-2000 (0.02 per cent of the issued convertible stock).

Together with stock purchases made before the bid last month, Guinness now owns 28.4 per cent of the ordinary shares and 33.35 per cent of the convertible. The offer has been extended to December 17.

P. AND W. MACLELLAN has entered into an agreement to acquire a heritable property at Great Western Road, Glasgow, for a consideration of £800,000 cash. The contract is conditional on Maclellan's shareholders' approval. The property comprises 18 maisonettes and five shops with an annual rental income of £73,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Allied-Lyons ....int	3.25†	Feb 28	2.6	—	7.5
Alphameric ....int	0.85‡	Mar 14	Nil	—	0.7
Apricot Computers int	0.35	Dec 17	0.35	—	1.5
Bassett Foods ....int	1.78	Feb 3	1.68	—	8.72
BPB Industries ....int	3.5	Jan 24	3.1	—	7.7
British Empire Secs ...	0.3†	—	0.7	0.5	0.9
Carless Capel ....int	1	Jan 20	1	—	2.75
Crown House ....int	3	Feb 14	2.75	—	7
David Dixon ....int	3	Feb 1	3.5	—	6
Fashion & Gen ....int	10	Jan 2	6	—	15.8
J. H. Fenner	3	—	3	5	5
Hambros‖ ....int	22	—	20	—	65
Hambros** ....int	2.2	—	2	—	6.5
Rbt. Kitchen Taylor int	3	Jan 27	3	—	16.51¶
F. H. Lloyd ....int	1	Jan 6	Nil	—	2.5
Menks Inv Tst ....int	1.1	Jan 31	1.1	—	2.4
Parkland Textile ......int	1.6	—	1.6	—	4.8
Rothmans ....int	2.2	Jan 27	2.2	—	6.4
Thomas Warrington int	Nil	—	1.75	—	4

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On cap. increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 18 months. ‖ £2 shares (50p paid). ** 5p limited voting shares.

UK COMPANY NEWS

James Neill makes final £14.7m offer for Spear

BY CHARLES BATCHELOR

James Neill Holdings, the hand tool manufacturer, yesterday put in an increased and final offer for Spear & Jackson, adding £1.2m to its original bid to take it to £14.7m.

Neill also succeeded in forcing Spear to send e letter to shareholders to admit that some of the claims made in its defence campaign had not been backed up by sufficient evidence.

Spear, best known for its garden tools, wrote to its shareholders at the request of the Takeover Panel conceding it could not satisfactorily corroborate three claims made in its letter of November 15 and admitting they should not have been made.

Spear withdrew its charges that Neill had £13m of its assets tied up in declining businesses; that Neill faced problems which threatened its very existence; and that its Britool operation was at risk.

Neill has increased its offer to five of its own shares for every three ordinary shares of Spear with a cash alternative of 250p per share. It originally offered e three-for-two share swap with a cash alternative worth 195p per share.

Neill's shares slipped 4p yesterday to 157p to value its offer at 261.7p per Spear share. Spear's shares fell 2p to 256p—5.7p below the level of the offer.

Neill is also offering three of its own shares for every two of Spear's 3.5 per cent £1 cumulative preference shares with a cash alternative of 225p for every one preference share. It originally offered one share for each preference share with a cash alternative of 130p.

Spear's ordinary shareholders would be entitled to retain Spear's interim dividend of 2.5p per share, Neill said.

Neill said it planned to recommend total dividends of 7p for the year ending December 1985, a 47 per cent increase on 1984.

Mr Hugh Neill, the Neill chairman, said: "The case we have made for the merger of the two companies is a very compelling one. Together they will form a powerful British hand-tool group, capable of tackling the competition worldwide."

Mr Leonard Grosbard, managing director of Spear, said Neill's claim that its offer represented a 62 per cent rise in income over the annualised rate of Spear's forecast dividend ignored the fact that the 9p to be paid over the current 15-month period ending March 1986 would form the basis for future 12-month dividends.

Chemring expanding decoy side for £14m

By Lionel Barber

Chemring, which specialises in protective clothing and radar reflective products, is to buy Pains-Wessex, a subsidiary of the US packaged products group Allegheny International, in a deal worth £14m cash.

The deal will strengthen Chemring's missile decoy business which has so far relied mainly on radar chaff. Pains-Wessex, once best known for its domestic fireworks, now specialises in more advanced pyrotechnics — infra-red flares used to "confuse" heat-seeking missiles.

Mr Ian Fairfield, Chemring's chairman, said: "The deal is a natural extension of our main business and the two companies have worked closely together in the past."

In the year to September 1984, Chemring made pre-tax profits of £1.5m on sales of £7.6m. Pains-Wessex, which has distributor and agency networks in 50 countries and exports 60 per cent of sales, made £1.8m on £15.7m sales in the year ended November 1984.

Because of the size of the acquisition, Chemring shares were suspended at 533p yesterday. The board said it proposed to pay for the deal through a rights issue of convertible preference shares and a vendor placing to raise a total of £13m.

Further details on the terms of the rights issue are expected when the purchase agreement is signed later next month.

Allegheny, whose branded products include Rowenta domestic appliances and Wilkinson Sword, swung sharply into loss in the third quarter. Mr Christopher Saunders, director of Allegheny International Group in London, said the company was now concentrating on its core businesses.

Drayton Prem wooed by note alternative

Shareholders in Drayton Premier Investment Trust who accept the National Coal Board Pension Fund offer of 500p per share will be able to receive their consideration in loan notes.

Mr David Prosser, managing director of the NCB Pension Fund's investment department, has written to Drayton holders urging them to accept the bid and pointing out that the loan notes will help to postpone liability to tax on capital gains.

The absence of a loan note alternative was a major criticism of another recent pension fund take-over bid for an investment trust, launched by the Merchant Navy Officers Pension Fund.

Mr Prosser also stressed that the firm 500p offer — valuing Drayton at £158m—differs from many offers for investment trusts which are made on the basis of a formula which fluctuates according to changes in market levels and exchange rates.

Drayton responded by saying that on November 5 the net asset value per ordinary share was 569.5p. That makes the 500p offer equivalent to only 87.8 per cent of net asset value "emphasising the inadequacy of the offer."

Godwin Warren withdraws from Sunleigh takeover

THE USM quoted Godwin Warren Control Systems, manufacturer of car park barriers, yesterday abruptly called off an agreed £1.7m bid for Sunleigh Electronics, maker and distributor of electronic and scientific optical equipment.

The unusual step, which required the approval of the Takeover Panel, came after a detailed review carried out by both companies of their future trading prospects. In a statement, Sunleigh and Godwin said the combined group's trading position would "differ significantly" from what was originally envisaged for 1985 and 1986.

Two sources involved with the deal said the trading problem centred on a significant loss of business at one of USM-quoted Sunleigh's subsidiaries, which they declined to name.

According to the terms of the bid, Godwin Warren intended to offer one ordinary share for every 23 Sunleigh shares, or a cash alternative of 155p per Sunleigh share. Directors and certain shareholders in Sunleigh are now released from irrevocable undertakings pledging 58.8 per cent of the equity.

Shares in Godwin closed at 167p, down 8p on the day, while Sunleigh, after dipping 2p, closed unchanged at 7p.

Mount Charlotte purchase

BY DAVID GOODHART

Mount Charlotte Investments yesterday revealed e complex agreement with the trustees of the Portman Family Estates to acquire a 125-year lease on the Mount Royal Hotel in Oxford Street and the shops below it.

Mount Charlotte, which already runs the Mount Royal, is paying £9m financed by a vendor placing of 9.6m shares which has increased its share capital by 4.8 per cent.

It originally bought the Kennedy and Mount Royal hotels from Grand Metropolitan two and a half years ago for about £23m but it acquired the freehold of only the Kennedy. Before the present deal was concluded the company had a 27 year lease on the Mount Royal site excluding the shops.

Mr Robert Peel, managing director of Mount Charlotte, said: "This is a long term asset deal which would have been crazy not to take advantage of."

He added that the Mount Royal is likely to be upgraded from a three to a four star hotel at the end of next year.

British Aerospace

British Aerospace announced yesterday that the foreign ownership of its shares has fallen from 14 per cent to 12 per cent since it announced in October that foreign holders had come within 1 per cent of the 15 per cent limit permitted under the company's articles of association.

Mr Don McClen of British Aerospace said: "That first announcement shook a few people out as it was intended to, and we have now announced the drop so people can rest assured that we are further away." If foreign buyers break the 15 per cent ceiling the purchasers of the excess shares will have to sell them within a reasonable period —usually taken to mean 21 days.

Our best ever first half.

The excellent results achieved in the 28 weeks to 14th September, 1985 demonstrate that Allied-Lyons has the right strategy, the right structure and the right strengths to achieve continuing growth in profits and an increasing return for shareholders.

Excerpts from the interim statement announced yesterday.

RESULTS

Profit before tax for the 28 weeks ending 14th September, 1985 rose to a record £122.6 million compared with £100.8 million in the comparable period last year, an increase of 21.6 per cent. With the benefit of the continuing reduction in the tax rate, earnings improved by 27.3 per cent from 8.8 pence per share to 11.2 pence per share.

Despite poor weather throughout the summer, which affected all three divisions, group turnover increased by 7.1 per cent. With continuing improvement in productivity and efficiency, trading margins increased from 6.6 per cent to 7.2 per cent.

INTERIM RESULTS (28 weeks to 14th September 1985)

*Profit before tax	£122.6m, up 21.6%.
*Earnings per share	11.2p, up 27.3%.
*Dividend per share	3.25p, up 25.0%.

BEER

The great success of Castlemaine XXXX in the areas so far covered has contributed to growth of Allied Breweries' share of the total lager market.* This, with the growing benefit from the division's re-organisation last December and the continuing programme of productivity improvement, has lifted profits by 20.0 per cent.

WINES, SPIRITS AND SOFT DRINKS

This division achieved an overall profit increase of 17.3 per cent, with significant sales advances recorded for light wines and British wines. There was some lack of volume with the more weather-sensitive products but otherwise performance was up to expectation.

FOOD

A good performance overall by the food companies both at home and abroad and in hotels and catering was partially offset by substantially lower profits from the U.K. ice cream business, leaving the profit increase for the division as a whole at 16.7 per cent.

Commenting on the results the Chairman, Sir Derrick Holden-Brown, said "We are pleased with the results achieved in not the easiest of trading periods. Perhaps overall the most encouraging aspect has been the performance of the beer division, which has moved into a higher gear following the management changes at the end of last year. With many of the positive factors in the first half continuing, I believe the outlook for the group for the second half of this year and beyond is excellent".

Allied-Lyons

In the five years up to February 1985, our pre-tax profit rose from £112m to £219m.

*British lager market share for the year to August, 1985 compared with the year to August 1984. Lager Market Survey data.

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UK COMPANY NEWS

Fenner £1m down despite recovery in second half

DESPITE a sharp improvement over the second six months J. H. Fenner (Holdings), the Hull-based power transmission engineer, still ended the year to August 31 1985, some £1.06m lower at the pre-tax level.

And compared with a promised 50 per cent rise in the dividend total shareholders are to receive a same-again 5p net per 25p share, the final being 3p.

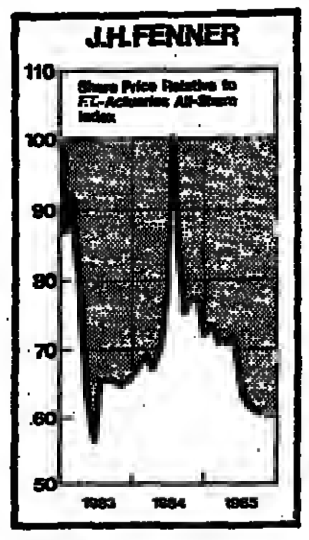
The directors forecast the dividend rise in their successful defence against a bid from Hawker Siddeley in August last year.

In maintaining the payment they say they are aware of their commitment to shareholders but feel it would be inappropriate to increase the dividend until the planned financial improvements have been fully achieved.

Second half profits rose to £3.32m (£2.98m) and lifted the total to £3.96m pre-tax, compared with the previous year's restated £5.02m. Interest charges surged from £3.73m to £5.58m.

Turnover improved from £154.03m to £167.5m, despite an advance of only 3 per cent at home where improvements in most UK activities offset the reduced demand from the National Coal Board.

Overseas sales increased by almost 15 per cent while exports from the UK increased by over 40 per cent.



For the year as a whole profits before tax for both the UK and overseas, ignoring the associates, were virtually unchanged at £1.8m and £2.4m respectively — the associates swung from profits of £648,000 to losses of £281,000.

The power transmission business is responding to a significant rationalisation and investment programme and this improvement, helped by substantial exports of conveyor belting, produced a strong recovery from the weak first half.

Group performance during the year was seriously impaired by a combination of external problems arising from three specific areas—India, South Africa and UK mining activities.

However, the directors are encouraged by good progress made in many areas, particularly newer activities such as electronics and the significant strengthening of the American operations which, they say, will lessen group dependence on the more traditional overseas markets of India and South Africa.

● comment

Fenner's problems had been well aired at the half-way stage and there were few surprises in these figures: if anything they were a little better than expected and the shares managed to remain unchanged at 125p. At first glance it seems that everything that could have gone wrong during the year did so, but take out the £1m of losses in India and it can be seen that some of the businesses must have been performing strongly to have kept remaining profits unchanged despite setbacks on mining-related and South African activities. The effects of the coal strike persist even now and exchange rates are still adverse, but if there are no further misfortunes the current year should see a recovery to at least £7.5m, putting the shares on a prospective p/e ratio of about 8½ after a 35 per cent tax charge. At that price they are not without their attractions. The prospective yield of 8.4 per cent should keep investors happy while they wait to see what Emerson Electric does with its 25 per cent stake.

Profits fall 38% as industrial troubles hit Bassett midway

THE SIX week strike at the Bassett Foods group had a serious effect on the interim figures. Turnover was only maintained and the pre-tax profit fell by nearly 38 per cent, from £1.7m to £1.06m.

Mr Bev Stokes, chairman of this confectionery malling group, says prior to the strike George Bassett was well on track after the disappointing performance in the second half of last year. Its sales volume was running 5 per cent up on the first half of 1984.

The strike was by maintenance engineers at the Pontefract and Sheffield factories during August and September, and immediately followed the annual holiday period. It deferred the benefit of price increases made in August but these should show through in the second half.

Mr Stokes concedes that the short term cost of the strike was very high, but expresses the belief that for the company to remain in contention in a fiercely competitive market it is imperative not to accede to inflationary wage demands.

Turnover in the 28 weeks ended October 11 1985 came to £37.52m compared with £37.89m. Last year has bee nadjusted to take in Ernest Jackson (pastilles and lozenges), acquired a year ago, in respect of sales £2.15m and profit £173,000.

The year started with high stock levels following the poor trading in the final quarter of the previous year. With high capital expenditure and increased interest rates this led to a rise to interest charges from £268,000 to £518,000.

Export volumes were up but margins have been hit by currency movements. Ernest Jackson performed most satisfactorily with sales and profit well ahead.

Shareholders are receiving an increase in their interim dividend from 1.68p to 1.78p net. The final last year was 5.04p when pre-tax profits came to £2.8m.

After tax and minorities, earnings for the period are shown at 5.15p (11.73p). No provision is made for profit sharing at the interim stage.

● comment

It remains difficult to get excited about Bassett Foods. Although its softer-eating confectionery has been showing gains until the strike bit, this was from depressed levels the previous year and it is not a not bad enough, it suffered three blows in the first half: the Dutch operation lost about £200,000 worth of profits through delays to bringing new plant into operation, currencies cost perhaps another £100,000, and the rest of the £640,000 shortfall is presumably down to the strike. The group is going to have ot work hard just to equal the last full-year profit figure: much depends on what it can pull out of the bag to its last quarter, but at this stage about £2.6m looks likely. This puts the shares, down 6p at 156p, on e prospective p/e ratio of 13 after a 35 per cent tax charge against a sector average of 11½. The premium would appear to rest on the assumption that shareholders who resisted Avana's approaches might now feel more susceptible to further overtures.

J.S. Pathology for USM

J.S. Pathology, an independent clinical pathology laboratory, is planning to join the unlisted securities market with a placing of 1.88m shares at 160p a share by brokers Grieveson, Grant, giving it a market capitalisation of £19.1m.

The company will form part of a newly-emergent health sector of the USM, consisting of Health Care Services, The Swindon Private Hospital and West Yorkshire Independent Hospital. West Yorkshire joined the market on Monday.

J.S. Pathology was started in 1958 by Mrs Jean Shanks, chairman and chief executive. It now employs e staff of 140, more than half of whom are professionally qualified.

About half its turnover comes from patient referrals from doctors and consultants. Clinical pathology tests are also carried out on behalf of independent hospitals in the UK and overseas.

Two of its strongest areas of growth are health screening and carrying out clinical trials of new drugs on behalf of pharmaceutical companies.

Profits have grown at an annual compound rate of 43 per cent in the five years to March 1985. In the last full year they were £1.36m (£933,000) on turnover of £4.25m (£3.5m).

The company has forecast pre-tax profits of £1.9m for the current year, putting the shares on a prospective p/e ratio of 16.7 after an estimated 42 per cent tax charge.

David Dixon higher at £0.42m

David Dixon Group, the Leeds-based clothing maker, raised pre-tax profits from £361,000 to £423,000 for the six months to September 28 1985, and the directors say the outlook for the remainder of the year is excellent.

Orders throughout the group are at record levels, while sales and profits from each group company are expected to be higher in the second half. First-half sales climbed from £7.48m to £9m, and all group companies were profitable.

Operating profits rose from £538,000 to £649,000. Interest charges increased to £226,000 (£177,000), mainly as a result of higher rates. However, in October and November the overdraft has fallen significantly and the charge for the second half will be much lower, the company says.

After tax of £42,000 (£79,000) stated earnings per 25p share were up from 15.14p to 20.14p. The interim dividend is raised to 3p (2.5p) net—last year's total was 6p.

Dialene

Dialene, the plastic injection moulder whose flotation on the USM was announced last week, will be coming to the market with e placing of 1.22m shares at 128p per share by brokers De Zoete & Bevan. Its market capitalisation at the placing price will be £4.9m.

Some 909,000 of the shares will be sold by the founding Ilsen family and 311,000 by the company, raising about £293,000

British Empire

THE FINAL dividend of the British Empire Securities and General Trust has been reduced from 0.7p to 0.3p in the year to September 30 1985, as anticipated at the time of its rights issue in May. Net asset value is also lower, down from 29.684p to 29.287p.

Net revenue for the year was £530,000 (£324,000) before tax of £189,000 (£97,000). Earnings per share were 0.7258p (1.1007p).

GT Global

GT Global Recovery Investment Trust had a higher net asset value of 138.9p per £1 share at the end of the six months to June 30 1985, compared with 119.7p a year previous.

Net revenue, however, declined from £124,076 to £86,285 and earnings per share fell from 1.24p to 0.86p. The interim dividend is unchanged at 0.75p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Brickhouse Dudley, A. F. Bulgin, Delmar, Freshbake Foods, Harrisons Malaysian Plantations, Johnson Matthey, New London Oil, Premier Consolidated Oilfields, Steinberg, TR Property Investment Trust, Transcontinental Services, Usigate.

Finals:—Dubilier, MEPC, Marine Adventure Sailing Trust.

FUTURE DATES

Interims:—

Alpine Soft Drinks	Dec 6
British Building and Engineering Appliances	Dec 11
Charter Consolidated	Dec 11
Joseph (Leopold)	Dec 4
Lovell (G. F.)	Dec 8
Pegler-Hattersley	Dec 4
Yellowhammer	Dec 12

Finals:—

Fitzwilton	Nov 29
Granada	Dec 11
Leeds	Dec 3

UK COMPANY NEWS

F. H. Lloyd advances to £0.8m at six months

F. H. Lloyd Holdings, the West Midlands based engineering group, lifted pre-tax profits from £307,000 to £802,000 in the six months to September 28, 1985, and Mr Lewis Robertson, the chairman, says the full year result is expected to show a useful increase over the previous year's £1.42m.

At the annual meeting in August, the chairman indicated that trading results in the first quarter had been highly encouraging, and the positive performance continued in the second period.

The group's two steel foundries increased operating profits from £287,000 to £316,000, while the steel mill contribution was higher at £222,000 (£177,000). A marked improvement in engineering and services results from £173,000 to £443,000 included some profit from each of the three recent acquisitions — AB Welin, Seaboard Wellhead and in particular, Rollstud.

For the second half, the indications for most of the group's businesses are good; but demand from the steel mill is currently down and this will affect its contribution and thus, the group result for the second six months.

Overall sales for the first half edged up from £25.44m to £26.21m. These were split between foundries £10.68m (£9.37m); steel £7.35m (£9.07m) and engineering and services £8.18m (£7m).

The company is resuming the interim dividend — after five years absence — with a payment of 1p net. This is in line with the board's intention of spreading shareholders' income across tha year. Last year's final was 2.5p.

First half interest charges dropped from £330,000 to £179,000. After a tax charge of £223,000 this time, and minorities, net attributable profits were ahead from £252,000 to £525,000. The interim dividend costs £241,000.

Earnings per 25p share are shown as 3.1p (1p) before tax and 2.2p (1p) after.

● comment

Last year it seemed that the new management at F. H. Lloyd was better at trimming the company's foundry and steel divisions than it was at reinvesting the released assets in new businesses. However, these interims show that the recently acquired subsidiaries, which got off to a difficult start, are now being made to work. Rollstud, in particular, is operating profitably after having made disappointingly large losses in the first half last year. The group is now poised to make more acquisitions, as following the disposal in May of Brown Lennox, it has no gearing at all. The consequent reduction in the interest charge should help push profits to about £2m this year, a forecast which would have been higher if it were not for the anticipated slump in demand for steel tube, which will upset profits from that division. In pushing the shares from a low this year of 32p to yesterday's price of 70p, the market has been mindful both of the company's progress and of the strength of its asset base. However, a prospective multiple of about 13 would seem a bit high were it *not for the ever present prospect* of a bid from Suter, which now owns 25.6 per cent of the shares.

Kitchen Taylor falls to £606,000

Robert Kitchen Taylor, the textiles and property group, made sharply lower pre-tax profits of £606,000 for the six months to September 30 1985, compared with £1.44m for the corresponding period of 1984.

As foreshadowed, there were no significant disposals by the property division during the period. Contributions from this source have therefore been minimal compared with the significant contribution made by the property trading side last time.

The results of the textile division were broadly comparable to last year's corresponding period, but were significantly below the continuing cold and wet weather in the summer months. This depressed sales in the fabric and leisurewear divisions, bringing margins under pressure.

Certain subsidiaries are not enjoying previous levels of profitability and will either be restructured or sold, the directors say.

The company has continued to consolidate its UK manufacturing operations. One factory has been disposed of and e subsidiary has been sold as a going concern. The reorganisation of these operations is now well advanced and should be completed during 1986.

The intarim dividend is 3p (same) net—in the previous 18 months period, dividends totalling 16.5p were paid from £2.25m pre-tax profits.

Stated half-year earnings per 10p share fell from 26.26p to 8.66p. Tax charge was £255,000 (£414,000) and there were also extraordinary debits this time of £134,000 for the net costs relating to the proposed factory closure. Attributable profits came to £203,000 against £1.02m.

Turnover improved from £10.59m to £12.86m.

Monks Investment cuts US portfolio

THE NET asset value for the Baillie, Gifford-managed Monks Investment Trust rose to 197.3p on October 31 1985, compared with 190.1p a year earlier. However it fell slightly from the 198.8p recorded at April 30 1985.

Despite a fall in investment income from £2.09m to £1.7m, net revenue improved by 15 per cent to £915,000 (£797,000). The directors said that was the result of the sale of the Japanese bond portfolio which allowed the trust to repay a $25m loan.

Stated earnings per share were 1.18p against 1.03p. There will be an unchanged interim payment of 1.1p.

There were net reductions in investments in the US and Japan and an increase in continental Europe. Europe accounted for 11.5 per cent while the US fell from 32.9 per cent to 23.9 per cent. Its US dollar position was fully hedged throughout the period.

In the present year priority has been given to Germany and France. Japan should be able to grow at a good rate while UK growth is reasonable. The directors expect further growth in earnings in the second half and the total dividend will be at least the 2.4p paid last year.

COMPANY NEWS IN BRIEF

HELLENIC & GENERAL Trust, the investment holding subsidiary of Hambros, achieved higher pre-tax revenue of £879,000, against £589,000, over the six months to end-September 1985. Tax was £332,000 (£239,000).

FLEMING UNIVERSAL Investment Trust returned lower available profits of £780,000 against £914,000, for the six months to end-September, 1985. While uncertainties remain the company is optimistic that the second half will see better returns. Net asset value per 25p share at the end of the period was 369.1p against 356.1p a year previous. An unchanged interim dividend has already been declared, and anticipated revenue for the year should enable e minimum 5p (8p) total.

GEORGE OLIVER (Footwear) is to buy 80 per cent of Arizona Shoe Corporation for $2.4m (£1.7m) of which $400,000 is payable on completion and the balance by an interest bearing promissory note of $2m redeemable on January 1. Arizona is said to be the largest privately owned shoe retailer in the south west of the US, with 22 outlets in Phoenix and two in Tucson. This is a diversification move for Oliver and it intends to build on this in that region. In the year ended September 30 1985 Arizon made e pre-tax profit of $752,000 ($452,000) on sales of $12.38m ($10.77m). Net tangible assets were $1.6m.

STEWART NAIRN Group says that following the completion and subsequent letting of its building in Wokingham, the company has disposed of its freehold interest to the representative body of the Church of Wales. The price reflects a yield of under 5.25 per cent. The building has been let to Case Communications at e rent believed to be in excess of £44,500 per annum.

JOHN GOVETT Management Group intends to change the names of four investment trusts in the group. Border and Southern Stockholders Trust will become Govett Strategic Investment Trust; Lake View Investment Trust will be Govett Oriental Investment Trust; Stockholders Investment Trust to Govett Atlantic Investment Trust; and General Stockholders Investment Trust to Govett Enterprise Investment Trust.

BASE LENDING RATES

ABN Bank	11½%
Allied Dunbar & Co.	11½%
Allied Irish Bank	11½%
American Express Bk.	11½%
Henry Ansbacher	11½%
Amro Bank	11½%
Associates Cap. Corp.	12 %
Banco de Bilbao	11½%
Bank Hapoalim	11½%
Bank Leumi (UK)	11½%
BCCI	11½%
Bank of Ireland	11½%
Bank of Cyprus	11½%
Bank of India	11½%
Bank of Scotland	11½%
Banque Belge Ltd.	11½%
Barclays Bank	11½%
Beneficial Trust Ltd.	12½%
Brit. Bank of Mid East	11½%
■ Brown Shipley	11½%
CL Bank Nederland	11½%
Canada Permanent	11½%
Cayzer Ltd.	11½%
Cedar Holdings	12 %
■ Charterhouse Japhet	11½%
Choulartons**	
Citibank NA	11½%
Citibank Savings	¶12½%
City Merchants Bank	11½%
Clydesdale Bank	11½%
C. E. Coates & Co. Ltd.	12 %
Comm. Bk. N. East	11½%
Consolidated Credits	11½%
Continental Trust Ltd.	11½%
Co-operative Bank	*11½%
The Cyprus Popular Bk.	11½%
Duncan Lawrie	11½%
E. T. Trust	12 %
Exeter Trust Ltd.	12 %
Financial & Gen. Sec.	11½%
First Nat. Fin. Corp.	12½%
First Nat. Secs. Ltd.	12½%
■ Robert Fleming & Co.	11½%
Robert Fraser & Ptrs.	12½%
Grindlays Bank	‡11½%
■ Guinness Mahon	11½%
■ Hambros Bank	11½%
Heritable & Gen. Trust	11½%
■ Hill Samuel	§11½%
C. Hoare & Co.	11½%
Hongkong & Shanghai	11½%
Johnson Matthey Bkrs.	11½%
Knowsley & Co. Ltd.	12 %
Lloyds Bank	11½%
Edward Manson & Co.	12½%
Meghraj & Sons Ltd.	11½%
Midland Bank	11½%
■ Morgan Grenfell	11½%
Mount Credit Corp. Ltd.	11½%
National Bk. of Kuwait	11½%
National Giro Bank	11½%
National Westminster	11½%
Northern Bank Ltd.	11½%
Norwich Gen. Trust	11½%
People's Trust	12½%
PK Finans. Intl. (UK)	12 %
Provincial Trust Ltd.	12½%
R. Raphael & Sons	11½%
Roxburghe Guarantee	12 %
Royal Bank of Scotland	11½%
Royal Trust Co. Canada	11½%
Standard Chartered	‖11½%
TCB	11½%
Trustee Savings Bank	11½%
United Bank of Kuwait	11½%
United Mizrahi Bank	11½%
Westpac Banking Corp.	11½%
Whiteaway Laidlaw	12 %
Yorkshire Bank	11½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 8.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand dep. 8%. Mortgage 13%.

UK COMPANY NEWS

Sales of terminals help boost Alphameric profit

A STRONG performance by its terminals subsidiary compensated for an unexciting first half at its keyboards subsidiary and helped Alphameric, electronic keyboards and colour terminal maker, to raise pre-tax profits by 49 per cent from £344,000 to £512,000.

Turnover in the six months to September 30 1985 was up 45 per cent from £3.48m to £5.06m. Earnings per share rose from 1.54p to 2.28p.

The company is paying its first interim dividend since joining the USM in July 1984 — 0.35p.

Slack UK demand for keyboards has persisted for longer than the group expected and more of its resources have been devoted to the rapidly growing markets supplied by Bishopsgate Terminals.

Bishopsgate's strong growth continues and it has become the dominant member of the group in turnover and profit. The company has begun deliveries of 1,000 terminals for th eStock Exchange's Seaq information system.

The group says there are indications of a return to growth in UK keyboard sales in the medium term. There is good demand for prototypes for new and existing customers and in the past such demand has usually preceded an upsurge in orders.

The new keyboard plant at Nimes in France has passed breakeven, resulting in a £61,000 contribution by Alphameric SA, while its sister company, Sud-Alim SA, made a small first half loss. It is however expected to contribute to profits in the second half.

The group has decided not to proceed with any investment in Power Technology Sources of Dublin and the option described in the placing document of July 1984 will be allowed to lapse, although Power Technology's products will still be sold by Sud-Alim.

Group emphasis is moving away from components such as keyboards and power supplies towards higher value-added information products and systems, and this trend is expected to continue.

Mr Dougal Craig-Wood, chairman, expects a strong second half, which traditionally has greater activity. The group order book at the beginning of October was substantially ahead of the same time last year, with many orders scheduled for delivery in this financial year.

St Ives makes sound progress

St Ives Group, the magazine printer which came to the market via a tender offer two months ago, traded in line with expectations during 1984-85 and is confident of a successful outcome for the current year.

From a turnover ahead by £2.94m at £18.34m pre-tax profits for the 12 months to July 31 surged from £1.75m to £2.33m. As foreshadowed, no dividend is being paid.

On an adjusted basis to reflect the acquisition of Folio Holdings the directors, beaded by chairman Mr Robert Gavron, estimate profits for the year et £2.5m — the figure estimated in the prospectus.

The acquisition of Folio Holdings became effective after the year-end.

Since July 31, Severn Valley, the group's financial subsidiary, has completed the installation of the Iaunit web offset press.

The directors say this press "bas higher productivity than any press of its kind in this country," and after some interruptions to production caused by its installation, is now printing some of the company's magazine contracts at high speeds with excellent results.

R. J. Acford has also been involved in the installation of a large new press which will substantially improve the productivity of its book printing. This press has completed its trials and is producing "satisfactorily."

Earlier this month St Ives entered the bid arena with a agreed offer for Richard Clay, the book printer.

The offer put a price tag of some £18.8m on Clay which topped an earlier epproach from McCorquodale, the security printing and packaging group, by £6.6m.

Yesterday, N. M. Rothschild, advisers to the St Ives Group, purchased a further 14,403 Clay ordinary shares and in total St Ives now owns or holds rights over 2.67m Clay ordinary, equal to 29.6 per cent of the equity.

The intervention by St Ives was prompted both by an approach from Clay itself and from a suggestion by Mr Peter Mayer, chairman of Penguin, one of the main customers of both Clay and McCorquodale.

McCorquodale's bid was referred to the Monopolies and Mergers Commission on the grounds of market share in paperback printing.

Development costs hit Parkland Textile

Lower profit margins and increased borrowings have depressed first half results et Parkland Textile (Holdings), the Bradford-based spinner, weaver and dyer of textiles and clothing manufacturer.

Taxable profits fell by two-thirds from £910,000 to £303,000 with trading margins down from just under 7.2 per cent to just under 5.4 per cent and interest charges well up from £289,000 to £548,000.

Parkland, which is chaired by Mr B. J. Spencer, blames the downturn on development costs in the clothing division, particularly to the relocation of the cutting department and product development.

Satisfactory results, however, were achieved by spinning end weaving operations and group turnover, which rose from £24.79m to £27.57m, is anticipated to increase further in the second half.

The company is paying an unchanged interim dividend of 1.6p. Earnings per 25p share for the six months to August 30 1985 were well down at 2.3p against 7.3p.

Parkland says it is now benefiting from action taken and is confident in forecasting an improved second balf performance.

Yearlings down

The interest rate for this week's issue of local authority bonds is 11⁹⁄₁₆ per cent, down ¹⁄₁₆ of a percentage point from last week, and compares with 10⅞ per cent e year ego. The bonds are issued at par and ere redeemable on December 3 1986.

A full list of issues will be published in tomorrow's edition.

COMPANY NEWS IN BRIEF

HONG KONG Telephone Company, e subsidiary of Cable and Wireless, made profits of £30m (£24m), after tax and scheme of control transfers, in the half-year to September 30 1985. Turnover was £187m (£158m) and adjusted earnings per share 0.19p (0.16p).

EXPAMET International has completed the purchase of Link Security Products of Carnoustie for £635,000 plus stock and debtors at valuation—this has been satisfied by £135,000 cash and and the issue of 373,134 ordinary shares at 134p each, not ranking for 1985 dividend. Link makes glass reinforced polyester products.

COOKSON GROUP says the cash alternative to the offers for the Frank Horsell Group ordinary shares an dthe Horsell preferred ordinary shares, has now closed. The offers were declared unconditional in all respects on October 24. Acceptances have now been received in respect of 6.06m Horsell ordinary (99.6 per cent) and 930,920 Horsell preferred ordinary (99.2 per cent).

MAPLE AND CO (HOLDINGS) intends to propose early redemption of the whole of the outstanding amount of the £2.71m 10.5 per cent partly secured loan stock 1988-2002 at par in cash plus eccrued interest. This represents an increase of approximately 10.5 per cent over the middle market quotation last Friday.

BLUE ARROW'S offer for the Brook Street Bureau employment agency has been accepted by the holders of 8.46m shares (81.84 per cent of which acceptances in respect of 5.83 per cent remain subject to verification). The cash alternative offer is closed but the share offer remains open until December 6.

FT COMMERCIAL LAW REPORTS

Guarantor's liability unlimited

TCB LTD v GRAY
Chancery Division: Sir Nicolas Browne-Wilkinson, Vice-Chancellor: November 21 1985.

WHERE A person signs an unsealed power of attorney expressed to be "signed sealed and delivered" intending that it should be relied on as a power of attorney, he cannot later assert its invalidity as against those who did rely on it to their detriment. Nor can he assert the invalidity of a debenture issued by his company in favour of a person acting in good faith in that the transaction is statutorily deemed to be authorised and within the company's capacity.

Sir Nicolas Browne-Wilkinson V-C so held when giving judgment for tha plaintiff company, TCB Ltd, a secondary bank, in its claim on a personal guarantee given by the defendant, Mr Victor Gray.

Section 9(1) of the European Communities Act 1972 provides: "In favour of a person dealing with e company in good faith, any transaction decided on hy the directors shall be deemed to be . . . within the capacity of the company . . . and the power of the directors to bind the company shall ho deemed to be free of any limitation . . . and a party to a transaction . . . shall not be bound to enquire as to the capacity . . . or . . . limitation . . . and shall be presumed to have acted in good faith unless the contrary be proved."

HIS LORDSHIP said that TCB was a secondary bank. Mr Gray was a very successful businessman. He had built up two prosperous private companies called Graylaw and Link, in which he was principal shareholder.

In January 1982 Mr Gray wished to enter into a specific transaction through the medium of Graylaw and Link. For that purpose he needed to borrow £5m. His loan broker approached TCB and stated that Mr Gray's guarantee would be evailable. At a meeting between Mr Gray, his brokers and TCB on January 21, TCB agreed in principle to mako the loan.

Mr Gray was insisting that the loan should go through with the greatest urgency. He was planning to go to Switzerland the following week and it was arranged that he should give power of attorney to his solicitor to enable him to complete the matter. A power of attorney was prepared and signed by him. On its face there was no seal, waifer, locus sigilli, or any other indication that a seal was affixed.

The transaction involved 10 guarantees in all, one to be executed by Mr Gray, and the others by third party mortgagees. Tho solicitor prepared the necessary documentation. At some stage during January 25 one copy of TCB's standard form of guarantee was amended by typing at the end of it a clause 15 which provided that the guarantor's liability should be limited. It was then photostated.

At that stage a mistake was made. Mr Gray had not left for Switzerland and various documents were sent to him for execution, including the guarantee. In error tha form sent was one of the photostats containing the typed clause which limited his liability under the guarantee. Mr Gray executed his guarantee in that form.

That was an error. At all times the solicitor intended that Mr Gray should sign tha guarantee in unlimited form.

The next day the error was noticed and drawn to tha solicitor's attention. He thought he could correct it under tha power of attorney, but decided to ring Mr Gray to "cover his back."

His evidence was that he did ring Mr Gray, spoke to him, and got the necessary approval. He deleted clause 15, initialling the deletion and adding that it had been deleted by him "as ettorney" for Mr Gray.

By late evening on January 26 all the documents had been executed, and the full £5m was drawn the next day.

A year later Graylaw and Link collapsed and went into liquidation. The security proved inadequate to repay TCB in full. On February 8 1983 payment was demanded on the guarantee, and when the demand was not met the present action was begun. The amount claimed (but not yet proved) was approximately £1.8m.

In defence Mr Gray said that the deletion was uneuthorised either by tha alleged telephone call of January 26 or under the power of attorney. He said the power of attorney was invalid since it was not sealed.

On the evidence it was found that Mr Gray well knew, on January 21 and thereafter, that he was being required to give an unlimited guarantee, and so instructed his edvisers. Also, his solicitor was expressly authorised to delete clause 15 from the guarantee. The deletion was therefore validly made.

The power of attorney, described as a general power of attorney, was signed by Mr Gray and opposite his signature were the words "signed sealed and delivered," hut there was no seal or other mark to indicate it had been sealed.

Section 1(1) of the Powers of Attorney Act 1971 provided that an instrument creating a power of attorney should be "signed and sealed by, or by direction and in the presence of, the donor of the power." Approaching tho evidence on any normal basis the court would be unable to find as a fact that anything constituting sealing took place.

If the court were to hold that the document was in fact sealed it would not only be flying in the face of what ectually happened, but also disregarding the statutory requirement that it should be sealed.

But it was not open to Mr Gray to raise the point, since he was estopped from denying that the document was sealed.

He had executed a document drafted as a deed which said thet he had hereunto set his hand and seal. There was, therefore, a representation of fact that it was sealed. Mr Gray executed the document with the intention that it should be relied upon as a power of attorney, knowing that TCB was going to rely on it as such.

TCB relied on it to its detriment, since it edvanced money in reliance on documents executed under the power. The case therefore had all tha necessary elements of a classic estoppel.

Mr Brodie's second line of defence on behalf of Mr Gray was that he personally only entered into the transaction on the basis that he was guaranteeing tha liability of Graylaw and Link, to be secured hy a debenture. It was said the debenture was not validly executed by Link.

Link's articles of association provided that "every instrument to which the seal shall be effixed shall be signed hy a director."

The debenture was not signed by e director, but by an ettorney for e director. There was no power in the articles for a director to act by attorney. Therefore, said Mr Brodie, the debenture was not the act of Link.

Section 9(1) of tha European Communities Act 1972 provided a complete answer.

Under the old law a person dealing with a corporation was required to look at the company's memorandum and articles to satisfy himself that the transaction was within its corporate capacity.

Section 9(1) was passed to bring tho law of England into line with article 9 of Council Directive 68/151 of tho European Economic Community. The manifest purpose of the directive and the section was to enablo people to deal with a company in good faith without being adversely affected by any limits on its capacity or its rules for internal management.

Given good faith a third party was able to deal with a company through its organs or directors. Section 9(1) achieved that in two ways. It deemed all transactions to be autherised, and it deemed that the directors could bind the company without limitations.

Mr Brodie said TCB should have looked at the articles and discovered the irregularity and that accordingly they were not acting in good faith.

He rightly abandoned that argument. The last words of the second part of the sub-section expressly provided that good faith was to be presumed; the second part expressly provided that the person dealing with the company was not bound to inquire.

Mr Brodie's next submission was thet, in order for the section to apply at all, the first requirement was that there must be e transaction by the company. Since Link never sealed the debenture in the only way authorised hy the articles, it was argued, there was no transaction.

If that were right it drove a coach and horses through the section. In every dealing with the company the third party would have to look et its articles to ensure that the company was hinding itself in an euthorised manner.

The section did not have that effect. It applied to transactions which a company purported to enter into and deemed them validly entered into.

Mr Brodie also submitted that the article regulating the way in which Link could seal documents, was not a "limitation" on the powers of directors, but a mandatory direction as to the only way in which the company could bind itself.

That submission also was rejected. Link had either actual or deemed capacity to enter into the debenture. Being an artificial person it could only enter into the debenture by its agents, the directors. Any provision in the articles as to the manner in which they could act as agents was a limitation on their power to bind the company and as such fell within the first part of section 9(1).

Finally Mr Brodie submitted that in order to rely on the section it had to be shown that the debenture was a transaction "decided on by the directors." He said the evidence showed that the directors of Link never did decide to enter into the debenture.

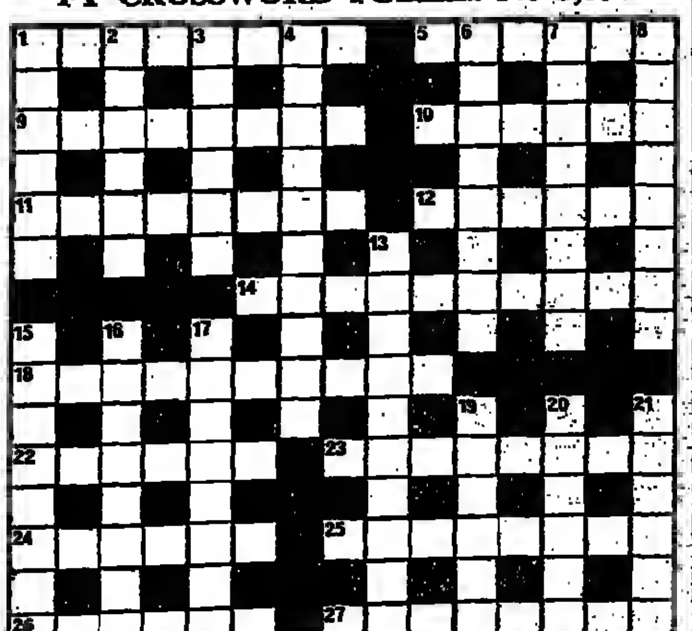
In fact all the directors of Link individually did decide to grant the debenture, though not at a meeting at which they were all present.

Accordingly, Mr Gray was liablo without limit on his personal guarantee.

For TCB: Robert Reid QC and David Hodge (Buckley Faville).
For Mr Gray: Stanley Brodie QC and Gabriel Moss (H. Davis ond Co.).

By Rachel Davies
Barrister

FT CROSSWORD PUZZLE No 5,884



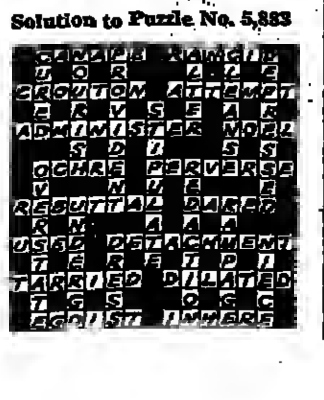
ACROSS

1 Try and try again for exclamation of approval (4, 4)
5 Depressions not starting restless desires (6)
9 Make superior decision about reign (8)
10 Pour on port quickly (6)
11 Wild country youngster seen in South Africa (4-4)
12 Car missing English tree (6)
14 Is definite—perhaps proves to be so (10)
18 Game in time with nervous reaction is defensive (10)
22 Examines gold—old pence and shillings contain it (6)
23 Diana can possibly bo e person abroad (8)
24 Refuse society rags (6)
25 Impressing before putting in post? (8)
26 Bench is to decide (6)
27 To repair, change S.A. capital? (8)

DOWN

1 Powerful arms are a menace (1-5)
2 A bit of poetry turned away (6)
3 Stern lad, heartless, is so near (4, 2)
4 Fit merchant seaman is so described (4-6)
6 Breathtaking ace (8)
7 Hard nail hammered by the *stairway* (8)
8 Characteristic of backward pupil and his journey to *school* (8)
13 Scientist's hypothetical substance—in confusion it meant Art! (4-6)
15 22 will involve looking at these scales (8)
16 Grip the catch (4-4)
17 Long-winded phrase, yet a small amount (7)
19 Animal turns up with man topsy-turvy—a rodent (6)
20 High official, namely (that is) King (6)
21 Imagine being without capital, distraught — a mysterious person (6)

Solution to Puzzle No. 5,883



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

International Growth	99.6	106.1	-0.2	1.40
Income & Growth	45.8	48.8	+0.1	3.00
Special Situations	57.3	61.0	+0.3	1.50
American Growth	27.3	29.1	—	1.00
Japan Growth	34.6	36.8		—
European Growth	43.9	46.9	+0.1	2.80
UK Growth	43.6	46.6	+0.4	0.90
Pacific Growth	31.9	34.1	-0.1	2.20
High Income	29.4	31.4	+0.2	7.40
Practical Income Units	44.4	47.3		2.30
Practical Accum. Units	79.0	85.0	-0.1	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd.	69.6	74.0	-0.1	3.33
Accum Units	102.0	104.4	-0.2	3.33
Pearl Inc.	98.7	105.0	-0.1	4.76
Pearl Unit Tst	104.9	111.6	-0.1	3.77
(Accum. Units)	177.2	188.5	-0.1	3.77

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames — 0491 576868

International Growth	207.3	222.9		1.53
Income	153.8	164.7		5.28
Worldwide Recovery	110.7	117.4		2.16
American Growth	56.8	61.0		1.10
Intl. Emerging Cos.	61.6	66.1		0.75
Far East Growth Fd.	52.3	56.1		1.19

Prolific Unit Trusts
222 Bishopsgate, London EC2 — 01-247 7544/7

Prolific American Inc.	47.7	50.7	+0.1	5.18
Prolific Far East	112.0	119.2	+0.3	0.37
Prolific Extra Inc.	68.7	72.8	-0.3	5.45
Prolific Convert & Gilt	84.9	90.0	-0.4	7.00
Prolific High Inc.	145.4	154.2	-0.1	4.87
Prolific Intl	88.0	93.6	-0.2	1.61
Prolific N. Amer.	114.7	122.0	-0.8	2.37
Prolific Spec. Sits.	161.9	171.7		1.34
Prolific Technology	98.0	104.3	-0.2	0.57

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG — 01-749 9111

Japan Inc.	54.0	57.2	+0.5	0.21
Japan Acc.	54.2	57.4	+0.4	0.21
Worldwide Inc.	52.0	57.0	+0.3	1.84
Worldwide Acc.	54.3	57.5	+0.2	1.84
European Tst Inc.	62.5	66.2	+0.4	1.19
European Tst Acc.	62.7	66.4	+0.4	1.19
North American Inc.	48.4	51.3	-0.1	2.09
North American Acc.	48.4	51.3	-0.1	2.09
UK Equity Inc.	56.7	60.1	+0.2	2.89
UK Equity Acc.	56.7	60.1	+0.3	2.89

[illegible]

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$13.85			—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$14.37		+0.10	—

Inv. Adv., M. & G. Inv. Mngt., Ltd., London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$11.99		+0.19	—
Dynamic Gwth Fd	$10.85		+0.13	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$10.31	10.72		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 27 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.10		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	11.56	8.64	12.67	6mth
1-day Fund	11.52	8.41	12.63	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	11.09	8.29	12.09	6-Mth
7-day Fund	11.05	4.26	12.04	6-Mth
Dollar	6.87	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc.	11.00	8.00	11.78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Act.	11.00	8.22	12.11	Qtr
Mth. Int. Chq.	11.000	8.22	12.10	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 91?1				
HIBCA	11.50	8.60	12.78	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH, 01-628 8060				
Money Mkt Cheque Acc.	11.00	8.22	12.10	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.00	8.22	12.21	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	11.00	8.22	12.20	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.13	8.92	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss Francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Money Market Plus		9.57	14.28	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.06	9.02	13.33	Qtr
Darlington & Co Ltd Darlington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	11.00	8.22	12.11	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc.	11.50	8.59	12.76	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.00	8.22	12.10	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Act.	11.64	8.70	—	6-mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
HighIntCheque Account	11.25	8.25	12.16	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	11.500	8.596	12.280	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A.	11.00	8.22	12.21	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	10.70	8.00	11.92	Qtr
£10,000 +	11.10	8.30	12.39	Qtr
Oppenheimer Money Mgmnt Ltd 66, Cannon St, EC4N 6AE. 01-236 1425				
Money Mngt. Acct.	10.875	8.13	—	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	11.250	8.41	12.40	Qtr
Provincial Trust (formerly Choularton) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc.	11.50	8.60	12.79	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11.0	8.22	12.11	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
S.I.D.A.	10.70	8.00	11.89	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	11.19	8.36	12.33	Qtr
Money Acc.	11.01	8.25	12.15	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	11.00	8.22	12.20	Mth
Over £10,000	11.25	8.41	12.49	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 1SE 0752 24141				
High Int Chq Acc	11.56	8.64	12.74	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase ad ex dividend.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk.	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk.	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect.	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Inntl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons.	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs.	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	68	Brist. Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd.	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	53
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	48
Lloyds Bank	35	Lonrho	12
Lucas Inds.	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Bonn under fire on tin crisis

BY JOHN DAVIES IN FRANKFURT AND QUENTIN PEEL IN BRUSSELS

EUROPEAN GOVERNMENTS are embarking on an intensified bout of discussions about the international tin crisis, with the West German Government in particular facing pressure to adopt a more conciliatory stand.

The UK is trying to persuade its EEC partners to follow its lead in pledging to honour the debts of the International Tin Council, it is anxious to win support before the council's next emergency meeting on the month-old crisis on Monday.

The council, which runs a price pact on behalf of 22 tin consuming and producing countries, owes hundreds of millions of pounds to banks and metal traders after running out of money in its attempts to support tin prices.

British Government officials had talks in Bonn yesterday with their counterparts in the West German Economics Ministry in preparation for a meeting of the commodities committee of the European Commission in Brussels today.

The West Germans are also braced for the possibility that the UK will raise its concern about the tin crisis during high-level Anglo-German talks in London today.

EEC Trade and Foreign Ministers yesterday instructed the European Commission to draw up proposals for a common position, on restoring order to the tin market.

Mr Paul Channon, the British Trade Minister, appealed to his colleagues to agree on actions to propose at the ITC meeting.

"It would be extremely serious for all western countries if the tin agreement collapses," he said.

Mr Carl-Heinz Narjes, the Industry Commissioner, said he would present proposals in the very near future. These could even be discussed by officials tomorrow, and finalised by national representatives at their meeting on Friday.

Chancellor Helmut Kohl will be in London for a regular round of consultations with Mrs Margaret Thatcher, the UK Prime Minister, and senior ministers and officials will also be in the West German party.

Meanwhile in Brussels, the tin question was due to be raised last night at a routine meeting of the EEC Foreign Ministers and again today at a European Commission meeting.

However, despite this flurry of diplomatic activity, there is as yet little sign that UK pressure has paid off.

The UK is concerned that the crisis might damage the London Metal Exchange, where tin trading has been suspended since October 24. But the UK's influence is limited because the EEC speaks on the Tin council with one voice and the West German attitude is seen as crucial.

The Economics Ministry in Bonn yesterday dismissed suggestions that West Germany was relaxing its position and might be prepared to give some backing to the tin council provided that other countries did so and provided that the creditors agreed to write off some of the financial obligations.

Such reports were "plucked out of the air," according to one official yesterday. The West Germans say that their position has not basically changed and that movement towards solving the crisis should come from others.

The Bonn Government has, however, received a plea from Metallgesellschaft and Preussag, the West German metal concerns, to recognise the international importance of the London Metal Exchange.

The two companies, both of which have trading subsidiaries in London, have sent a joint letter to Bonn pointing out that West Germany, as a major industrial country, has an interest in upholding the London Metal Exchange as a free market mechanism.

Stefan Wagstyl adds: Datuk Paul Leong, the Malaysian Primary Industries Minister, said in London yesterday that a viable solution to the tin crisis demanded concerted action by everyone involved.

This included tin producing and consuming countries — whether or not they were members of the tin council — bankers and the London Metal Exchange.

Datuk Leong had no fresh proposals to make for solving the crisis, dashing hopes that his visit to London might have brought a new initiative from Malaysia. He was expected to leave for home last night.

The Minister would not be drawn on whether Malaysia would have anything new to propose when the tin council resumed its meeting next week. But he confirmed that he remained in touch with his counterparts in Indonesia and Thailand.

The apparent absence of any initiatives from Datuk Leong brought an angry reaction from the LME. Mr Jacques Lion, LME board chairman, said it was "quite ludicrous" that the Minister had not been in touch with the LME during his visit. "It's very frustrating."

Chris Sherwell on the smuggling that undermined export curbs

Singapore's back door to the market

BEHIND A well-guarded gate on a tree-lined street in Jurong, Singapore's main industrial area, stands a plant which for years has attracted criticism from the Malaysian, Indonesian and Thai governments and brought embarrassment for the island state's leaders.

The plant is a tin smelter, and it belongs to a self-styled import and export company called Kimetal, which trades in tin ore and tin metal.

In the eyes of Singapore's three neighbours, which are the world's top tin producers, Kimetal is a major channel for the vast quantities of tin smuggled out of these countries onto the international market over the past few years.

As this activity has added significantly to the "overhang" on the market, the company is reckoned to have contributed materially if unintentionally, to the current tin crisis. Equally, the way the crisis is resolved will determine Kimetal's commercial prospects.

Kimetal itself, like many private Singapore entities, is extremely shy of publicity and refuses to answer questions about its business, although its executives have understandably denied that it is involved in smuggling because Singapore is a free port.

They also claim not to have been unduly affected by the tin crisis, but this is doubted by bigger smelter operators in Penang because it is plainly so difficult to set prices in the current climate.

Formed in 1977, Kimetal is run by members of the Cheng family and has a paid-up capital of S$4.65m (£1.5m). It made a profit of S$675,370 in the year to May 1984, which was reduced to S$279,500 after allowing for accumulated losses.

Kimetal's smelter is said to be capable of producing 2,000-3,000 tonnes of metal per year, far less than the output from Datuk Keramat Holdings and the Malaysian Smelting Corporation in Penang. When it started it was the second in Singapore to try to take advantage of South East Asian producers' desire to avoid bans on the export of tin concentrates and high royalties.

By mid-1982 the smuggling problem had already become serious enough for Dr Mahathir Mohamad, the Malaysian Prime Minister, to raise the issue with Mr Lee Kuan Yew, Singapore's Prime Minister. Mr Lee's answer then, and the official line since, has been that Singapore has no interest in such energy-intensive industries and would not encourage new smelters. But a shut-down was rejected "because it would affect confidence in Singapore as a free enterprise economy."

A short while later, however, the Jurong authorities disallowed the extension of a lease to the first smelter, run by Watten Metal, and it then had to stop its smelting operations. The authorities also turned down an Australian company's application for a site to set up a smelting business.

This might have helped matters had another complication not emerged. The producers had imposed their own export quotas in order to limit the flow of tin on to the market. This stimulated smuggling further, and according to a study by the International Tin Council, 22,500 tonnes of tin concentrates, equivalent to 16,500 tonnes of metal, was smuggled out of Thailand and Malaysia in the year to July 1983.

Some three-fifths of this was said to come from Thailand into Malaysia, and action was taken by the Kuala Lumpur authorities over the subsequent months to ensure adequate documentation and give customs officials greater powers in a bid to cut the flow. That made Singapore an even more heavily targeted outlet.

Mr Lee Kuan Yew, Singapore's Prime Minister

Exports of tin by Singapore, whose natural deposits are zero, thus climbed sharply in 1983 to 10,600 tonnes. According to the Government's figures, which do not include Indonesian trade, they rose again in 1984 to 11,250 tonnes, and this year they are running at par or slightly lower. Actual figures may be higher.

Thailand clearly remains the chief source of imports, while the bulk of ore goes to the Netherlands and Spain. South Korea—where Kimetal now has an associate company—is another heavy purchaser. The most significant buyer of the smelted metal, however, is the Soviet Union.

In Malaysia stories appeared of cars, trucks and even motorbikes loaded down with tin being ambushed by officials — in one case at a road block on the causeway linking Singapore to Malaysia.

In Thailand, police and customs officials intercepted several fishing trawlers attempting to smuggle tin from locations on the Andaman Sea coast, where operators of hundreds of "suction" boats mined tin-bearing ore from the ocean bed. Thai seizures climbed from 424 tonnes in 1983 to 755 tonnes in 1984, and will be even higher this year. But this is still a small fraction of the estimated total.

Indonesian naval patrols also claimed success in curbing smuggling.

Pressure on Singapore reached its height at the close of 1983 and start of 1984. President Suharto of Indonesia tackled Mr Lee on the subject at a meeting in Singapore in late December. Two weeks later the Association of Tin Producing Countries, which included countries like Australia and Nigeria as well as its neighbours, urged Singapore to co-operate in checking tin smuggling.

Singapore duly issued a statement saying Mr Lee had assured Mr Suharto that Singapore would not allow another smelter if and when Kimetal ceased operations, but repeated that the Government could not shut it down as long as it complied with regulations.

Low prices dim hopes for Greenland mine

By Kenneth Marston, Mining Editor

DEPRESSED PRICES for lead and zinc have cast a cloud over the outlook for the Canadian Cominco group's Black Angel mine in Greenland. The Arctic lead-zinc-silver producer has had to revise its output plans for the remainder of this year and for 1986.

It has also asked the Greenland and Danish Governments for clarification of its obligations in the event of a mine closure and has sought assurance from its bankers that lines of credit will continue to be available.

Grenex, the operating company, needs additional financial support of DKr 35m (£2.6m) which will be provided by Cominco subject to Greenex obtaining the desired answers from governments and bankers. If so, production will continue at Black Angel until at least mid-1986 when a decision will be taken on the future of the mine.

Cominco, controlled by the Canadian Pacific group, sustained a loss of C$28.4m ($14m) in the third quarter of this year to leave a loss for the first nine months of C$25.6m after crediting an extraordinary gain of C$9.4m from the sale of part of the holding in Pine Point Mines. In the same period of C$29.3m.

● North Korean and Ethiopian geologists have found large iron ore deposits in western Ethiopia, reports Reuter from Addis Ababa.

The country's leader Mr Mengistu Haile Mariam, was quoted by the Ethiopian news-agency as saying the discovery in the Wellega region was a key "to the country's future growth and development."

Mr Mengistu was visiting the area with North Korean vice-president Li Jong-ok, who said his country was willing to help Ethiopia develop its mining industry. Although Ethiopia has considerable mineral potential only a modest amount of gold is mined at present.

Australian grain forecasts lifted

AUSTRALIA'S Bureau of Agricultural Economics (BAE) has raised its forecast of the country's 1985-86 wheat crop to 16.45m tonnes from 16.05m tonnes predicted in early October, *reports Reuter from Canberra*.

The forecast compares with the 1984-85 crop of 18.29m tonnes.

It is in line with the latest Australian Wheat Board estimate of about 16.5m tonnes, issued on October 29, but above the Australian Wheat Forecasters estimate of 15.95m, released last week.

The BAE's area estimate was unchanged at 12.01m hectares, against 12.02m hectares in 1984-85.

It said crop prospects remained generally favourable across Australia after timely and widespread rainfall in middle to late October.

The rains arrived too late for early-sown crops but proved beneficial in late-sown areas and average to above-average yields should be realised in most regions.

Fine weather is now needed for completion of the harvest, underway in all states, although further rain would still help very late sown crops, the BAE said.

Given dry warm weather, the harvest will be in full swing by the end of this month but the staggered start to the season means harvesting is likely to continue well into the new year, the Bureau said.

In Queensland the harvest is almost 50 per cent complete although delayed by rain, notably in central Queensland where sprouting has caused significant declines in quality, it reported.

In Western Australia good finishing rains in October boosted crops after a poor start. Wheat received there so far has been well above average in protein content.

The Bureau has also raised its forecast of the 1985-86 barley crop to 5.06m tonnes from 4.58m predicted in early October. This compares with the record 1984-85 crop of 5.56m tonnes.

The area estimate was left at 3.48m compared with 3.51m in 1984-85 and the higher production forecast reflects increased yield prospects in all states.

The BAE raised its barley forecasts for all mainland states with significant increases estimated for New South Wales, South Australia and Queensland.

The barley harvest is now under way and is normally completed around January.

Canberra may block cheap bauxite and alumina sales

THE AUSTRALIAN Government may use its export control powers to block bauxite and alumina exports from the Australian/Swiss Gove venture because sales contracts were negotiated at unreasonably low prices, according to the Trade Minister, Mr John Dawkins, reports Reuter from Canberra.

The Gove project is owned 70 per cent by the Alusuisse unit Swiss Aluminium Australia, known as Austraswiss. The remaining 30 per cent is held by a CSR subsidiary, Gove Alumina.

Mr Dawkins told Parliament that Government approval was being sought for substantially lowering the export price for Gove bauxite.

"I have recently notified these companies that those arrangements are not acceptable and that I will continue to approve exports only if they are made on conditions which reflect fair and reasonable long-term marketing levels," Mr Dawkins said.

He said the contracts were based on production costs and certain of them had pricing arrangements which did not always achieve a fair international price.

He added that Austraswiss had paid no Australian company tax since 1970 and had been hit with a tax assessment of A$15.3m (£7.2m) for the years 1976-79.

The tax authorities had increased Austraswiss' notional income by A$100m after reassessing income for 1976-79.

Austraswiss officials were not available for comment but a statement made when the issue recently surfaced in the local press said it was required by the Government in 1968 to enter a 20 year cost-plus contract to sell to a single buyer, Alusuisse.

The company said the tax authorities had not explained the basis of the assessment and were trying to rewrite the rules.

Austraswiss said it had submitted detailed and precise objections to the assessment.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,780-2,830.

BISMUTH: European free market, min. 99.99 per cent, $ per lb. tonne lots in warehouse, 3.00-3.50.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.67-0.71, sticks, 0.72-0.76.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 10.9-11.15.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 265-280.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.64-2.70.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 7.10-7.30.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 57-65.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.15-2.50.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.50.

LONDON MARKETS

THE POUND'S firmness against the dollar yesterday pushed prices lower on the London Metal Exchange and on the sterling denominated soft commodity markets. Cash buying against European consumer demand helped the lead market to defy the trend with a £4 rise in the cash position to £267.50 a tonne. But the other metals were all down with cash aluminium adding £15 to Monday's £8 decline at £653.50 a tonne. Last week's gain, which took the aluminium price out of its recent narrow trading range, has now been completely wiped out, much to the disappointment of bullish investors who hoped to see some consolidation at the new level before further gains were attempted. The coffee market also responded to sterling's rise with the March position moving £31 lower to £1,840.50 a tonne. The fall was also influenced by reports of continuing rain in Brazilian growing areas. March cocoa's £29 fall to £1,676.50 a tonne was encouraged by better delivery news from Brazil, the Ivory Coast and Ghana.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	653-4	−16	669/668.5
3 months	677-.5	−16	698/674

Official closing (am): Cash 669-.5 (668-.5), three months 692.5-3 (692-3), settlement 669.5 (668.5). Final kerb close: 675-6.

Turnover: 21,700 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/low
Cash	943-.5	−5.25	947/944
3 months	960-.5	−7	964/958

Official closing (am): Cash 946-.5 (944.5-5), three months 963-.5 (964-5), settlement 946.5 (945).

Final kerb close: 957-8.

Cathodes			
Cash	921-3	−7	925/924
3 months	943-4	−5	944

Official closing (am): Cash 924.5-5 (927-8), three months 947-8 (944-8), settlement 925 (928).

Turnover: 19,325 tonnes. US producer prices 65-69 cents per lb.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	267-8	+4	270
3 months	274-.5	+2.5	275.5/273.5

Official closing (am): Cash 269.5-70 (262-.5), three months 275-6 (271-.5), settlement 270 (262.5). Final kerb close: 273.5-4.

Turnover: 10,650 tonnes. US spot: 18.75-20 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	2720-30	−17.5	2730/2710
3 months	2770-80	+8.5	2790/2755

Official closing (am): Cash 2740-50 (2720-30), three months 2780-5 (2760-5), settlement 2750 (2730). Final kerb close: 2770-75.

Turnover: 606 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	421.5-2	−3.5	—
3 months	427.5-8	−1	433.5/426

Official closing (am): Cash 423-4 (424-5), three months 429.5-30 (427.5-8), settlement 424 (425). Final kerb close: 425.5-6.5.

Turnover: 12,325 tonnes. US Prime Western: 33-33.75 cents per lb.

GOLD

Gold rose $½ an ounce from Monday's close in the London bullion market yesterday to finish at $331½-332. The metal opened at $331-331½ and traded between a high of $332-332½ and a low of $330¾-331¼. Once trading was mostly quiet and uneventful, despite a weaker dollar.

GOLD BULLION (fine ounce)	Nov. 26	
Close	$331½-332	(£229-229½)
Opening	$331-331½	(£228½-227)
M'n'g fix	$331.50	(£227.669)
Aft'n'n fix	$331.25	(£226.620)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$333½-334	(£227¼-227½)
½ Krug.	$176-176½	(£120-120½)
¼ Krug.	$90-90½	(£61¼-61¾)
1/10 Krug.	$36¾-37½	(£25-25½)
Mapleleaf	$341½-349	(£232¾-233)
Angel	$340½-342½	(£232-233½)
1/10 Angel	$33½-36½	(£22½-25)
New Sov.	$79½-80	(£54¼-54½)
½ New Sov	$47½-48¼	(£32¼-33)
Old Sov.	$80½-82	(£54¾-56¼)
$20 Eagle	$460-500	(£313½-340¼)
Noble Plat	$363½-367¾	(£247¼-250½)

SILVER

Silver was fixed 1.8p an ounce higher for spot delivery in the London bullion market yesterday at 428.25p. US cent equivalents of the fixing levels were: spot 624.6c, down 0.4c; three-month 636.7c, down 0.35c; six-month 648.6c, up 0.2c; and 12-month 674.1c, down 0.15c. The metal opened at 428-431p (625-628c) and closed at 425-428p (624-627c).

SILVER per troy	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	428.25p	+1.80	424.75p	−1.25
3 months	440.05p	+1.75	437.5p	−1.25
6 months	451.40p	+2.25	—	
12 months	474.40p	+2.10	—	

LME—Turnover: 26 (36) lots of 10,000 oz.

Three months high 441p, low 439p, final kerb 438-8.5.

RUBBER

PHYSICALS—The London market was extremely quiet throughout the day, reports Lewis and Peat. Closing price (buyers): spot 56.00p (same). Jan 54.25p (54.00p). Feb 54.75p (54.50p). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg R95 No 1 was 177.0 (same) and for SMR 20 170.0 (169.5).

JUTE

JUTE—Nov/Dec shipment C and F Dundee BTC $455, BWC $460, BTD $420, BWD $415; C and F Antwerp BTC $440, BWC $440, BTD $400, BWD $400; C and F Dundee ex-India Nov/Dec shipment 40 in 10 oz £16.28, 40 in 7.5 oz £12.51; a twills £44.48.

INDICES

FINANCIAL TIMES

Nov. 26	Nov 25	M'th ago	Year ago
—	—	—	289.77

(Base: July 1 1952 = 100)

REUTERS

Nov. 26	Nov. 25	M'th ago	Year ago
1714.6	1717.0	1701.5	1963.0

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Nov. 25	Nov. 22	Month ago	Year ago
Spot	120.60	120.81	—	126.92
Fut.	101.68	121.40	—	127.98

(Base: December 31 1974 = 100)

* Not available due to suspension of Tin on LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 26 1985	+ or −	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt	$1625/45	+0	$996/1915
Copper			
Cash h Grade	£943.25	−5.25	£963.75
3 mths	£960.25	−7	£982.5
Gold Troy oz	$331.75	+0.75	$326
Lead Cash	£267.5	+4	£270.5
3 mths	£274.25	+2.5	£277.5
Nickel			
Free Mkt	181/201c		187/207c
Palladium oz	$103.50	−0.75	$104.50
Platinum oz	$350.25	−4.25	$335.50
Quicksilver†	$270/280	−7.5	$265/275
Silver troy oz	428.25p	+1.80	430.90p
3 months	440.05p	+1.75	443.75p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$71.41		$70.70
Wolfram 22.04lb	$58/64		$62/68
Zinc	£421.5	−3.5	£410.5
3 months	£427.75	−1	£425.25
Producers	$660/670		$750
OILS			
Coconut (Phil)	$395w	−2.5	$420
Palm Malayan	$387.5z	+7.5	$356
SEEDS			
Copra Phil	$250w		$280
Soyabean (U.S.)	$208w	−1.4	$219.25
GRAINS			
Barley Fut. Mar.	£112.15	−0.50	£109.80
Maize	£140.00u		£135.50
Wheat Fut. Mar.	£114.90	−0.75	£109.60
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1676.5	−29	£1697.5
Coffee Ft. Jan.	£1840.5	−31	£1858.5
Cotton A Index	48.00c		40.40c
Gas Oil Jan.	$273.25	+5.25	$268
Rubber (kilo)	56.0p		67p
Sugar (raw)	$139w		$134.5
Wooltops 64s	384p kilo		414p kilo

‡ Unquoted. x Dec-Jan. w Nov-Dec. u Dec. † Per 75 lb flask. c Cents per pound. z Jan.

COCOA

Futures traded actively and, following an opening £10 lower, eased further. At the lower levels physical interest improved and good second-hand business was noted, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
Dec.	1637-1639	−25.0	1653-1637
March	1676-1677	−29.0	1700-1676
May	1697-1698	−29.0	1719-1696
July	1714-1718	−27.5	1738-1714
Sept.	1734-1736	−26.0	1752-1735
Dec.	1735-1735	−23.5	1750-1734
March	1747-1750	−21.5	1760-1750

Sales: 4,871 (1,454) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for November 25: 108.12 (107.51); five-day average for November 26: 106.16 (105.50).

COFFEE

Trade selling during a quiet opening created losses of £10-15, reports Drexel Burnham Lambert. Mixed buying interest encouraged a rally before further trade pressure triggered a sharp decline in light volume. Profit-taking and commission house support provided incentive for another recovery but stronger sterling tended to restrict the rise.

COFFEE	Yesterday's Close	+ or −	Business Done
Nov	1800-1805	−21.0	1825-1790
Jan.	1840-1841	−31.0	1865-1830
March	1878-1879	−36.0	1905-1868
May	1916-1920	−30.5	1945-1907
July	1955-1958	−16.0	1965-1958
Sept.	1985-1994	−9.0	1998-1989
Nov.	2010-2020	−7.5	2010

Sales: 4,200 (2,398) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for November 25: Comp. daily 1979 141.21 (141.28); 15-day average 140.04 (140.12).

FREIGHT FUTURES

The market eased following reports of a further weakening in physical freight rates on the major grain routes. After the initial losses, a minor correction in the afternoon left the closing levels in mid-range, reports Clarkson Wolff. The Baltic Freight Index was 801, down 0.5.

	Close	High/Low	Prev.
Jan.	877/879	881/878	885/888
April	935/938	939/939	940/945
July	826/830	825	827/831.5
Oct.	910/925	—	916/920
Jan.	925/955	—	930/950
April	990/1000	—	995/1000
July	880/890	—	881/885
Oct.	950/1000	—	950/1000

Turnover: 100 (39).

GRAINS

Wheat attempted to regain initial losses but continued selling pressure, reflecting a weaker physical market, depressed values. Barley trade was extremely thin and values eased on sentiment to close at the lows, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or −	BARLEY Yesterdys close	+ or −
Jan.	112.25	−0.75	109.25	−0.85
Mar.	114.90	−0.75	112.15	−0.50
May.	117.79	−0.65	114.50	−0.45
July	119.90	−0.55	—	—
Sept.	98.90	−0.05	98.90	—

Business done—Wheat: Jan 112.80-2.20, March 115.65-4.90, May 118.35-7.65, July 120.10-19.90, Sept 98.95 only. Sales: 417 lots of 100 tonnes. Barley: Jan 109.80-9.05, March 112.45-2.10, May 114.60-4.45, Sept untraded. Sales: 50 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Nov 132.25, Dec 132, Jan 133.75, Feb 136.50 transhipment east coast. US no 2 soft red winter Dec 115.75, Jan 117.50, Feb 117.75 sellers. EC French Dec 130. English feed fob Jan/Mar 117.50 paid east coast. Dec 1-15 114.50 seller, April/June 121.00-121.50, Jan/June 119.00-119.50 buyer/sellers. Maize: US no 3 yellow/French transhipment east coast Dec 140. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed—Barley: S. East 106.30, W. Mids 106.10, N. East 105.20. The UK Monetary coefficient for the week beginning Monday December 2 (based on HGCA calculations using 5 days' exchange rates) is expected to remain unchanged.

US MARKETS

PRECIOUS metals generally weakened reflecting a build-up in warehouse stocks of silver along with long liquidation ahead of first notice day on Friday, reports Heinold Commodities. Copper and aluminium weakened in response to poor cash interest and indications that copper stocks continue to rise outside the US. Sugar lost ground on the lack of fresh cash inquiry. Coffee traded in a choppy fashion reflecting reports of rain in the growing areas of Brazil. An increase in Bahia arrivals led to selling in cocoa. Cotton remained steady on light offerings of cash along with sympathetic buying in line with a firmer tone in the soyabean complex. The grain complex traded mixed with maize slightly higher on light country movement while wheat steadied on Egyptian purchases. Soyabeans firmed on light cash movement and heavy loan entries. The energy complex came under pressure in anticipation of a stock build-up in the weekly trade stock report.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	43.75	—	—	44.20
Dec	43.85	44.30	43.65	44.45
Jan	44.25	—	—	44.85
March	45.00	45.60	44.80	45.60
May	45.80	45.50	45.80	46.40
July	46.00	46.60	46.50	47.20
Sept	47.35	—	—	47.85
Dec	48.45	—	—	49.05
Jan	48.80	—	—	49.40
March	49.55	—	—	50.15

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2107	2120	2102	2134
March	2200	2214	2191	2221
May	2248	2265	2250	2275
July	2282	2289	2277	2305
Sept	2305	2305	2305	2328
Dec	2315	—	—	2338
March	2325	—	—	2348

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
Dec	158.80	158.60	156.51	158.70
March	163.18	163.50	161.81	163.17
May	166.30	166.40	164.60	166.72
July	169.22	169.35	167.20	169.50
Sept	171.27	171.30	170.05	170.60
Dec	172.00	172.00	170.75	171.25
March	171.91	171.00	171.00	171.50

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	60.65	—	—	61.05
Dec	60.75	61.50	60.75	61.15
Jan	61.05	61.30	61.80	61.45
March	61.65	62.40	61.50	62.05
May	62.00	62.65	62.00	62.40
July	62.25	63.00	62.30	62.65
Sept	62.55	63.30	62.55	62.96
Dec	63.05	63.70	63.20	63.45
Jan	63.25	—	—	63.65

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	61.30	61.60	61.02	61.15
March	61.77	61.86	61.41	61.58
May	62.20	62.30	61.98	62.12
July	60.17	60.25	60.05	60.21
Oct	54.09	54.15	54.05	54.10
Dec	51.67	51.75	51.65	51.86
March	52.27	—	—	52.65
May	52.62	—	—	52.40

CRUDE OIL (LIGHT) 42,000 US gallons; $/barrels

	Latest	High	Low	Prev
Jan	30.72	30.96	30.72	31.01
Feb	29.95	30.19	29.90	30.24
March	29.16	28.48	29.13	28.53
April	28.50	28.83	28.41	26.89
May	27.94	28.18	27.85	28.28
June	27.43	27.67	27.40	27.78
July	27.15	27.38	27.13	27.42
August	26.90	27.03	26.90	27.10
Sept	26.65	26.70	26.62	26.81
Oct	26.50	26.50	26.50	28.56

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	331.0	331.7	331.7	332.3
Dec	331.2	322.5	330.8	332.7
Jan	333.4	—	—	333.7
Feb	335.6	336.9	335.4	337.0
April	339.4	340.8	339.8	340.8
June	343.8	345.2	343.5	345.0
Aug	347.8	348.9	348.0	349.2
Dec	356.8	358.0	356.8	358.2
Feb	361.5	—	—	362.9
April	366.4	366.5	366.6	367.8
June	371.6	—	—	373.0
Aug	377.2	378.5	377.8	378.6

HEATING OIL 42,000 US gallons; cents/US gallons

	Latest	High	Low	Prev
Dec	89.00	89.15	88.45	89.15
Jan	89.15	89.35	88.65	89.34
Feb	89.16	89.35	88.00	88.67
March	83.45	84.10	83.25	84.02
April	78.75	79.65	78.65	79.50
May	75.50	76.10	75.50	76.20
June	73.80	74.10	73.30	79.00
July	73.75	74.00	74.00	74.60
August	73.40	73.50	73.00	74.00

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	112.65	113.60	112.30	113.25
March	113.40	114.40	113.50	113.85
May	114.00	114.50	113.50	114.45
July	114.90	115.00	113.45	114.95
Sept	112.00	112.50	112.50	113.40
Jan	112.40	—	—	112.60
March	112.50	—	—	112.60
March	112.60	—	—	112.80

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	349.1	—	—	356.6
Jan	352.1	355.0	351.9	356.6
April	354.9	357.7	354.0	359.3
July	358.3	360.5	359.5	363.1
Oct	361.8	364.5	360.5	366.9
Jan	366.6	368.5	368.0	371.6

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Nov	624.3	—	—	627.0
Dec	624.5	627.5	621.0	628.5
Jan	629.1	631.6	630.0	633.0
March	637.0	641.6	635.0	641.6
May	646.0	649.5	645.0	649.7
May	646.6	649.5	645.0	649.7
Sept	663.8	667.6	662.0	667.4
Dec	678.0	681.5	675.0	681.2
Jan	683.0	—	—	688.1
March	692.7	695.0	694.5	695.7

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	5.38	6.50	5.38	5.44
March	6.08	6.23	6.05	6.17
May	6.22	9.41	6.20	6.37
July	3.35	9.54	9.35	3.50
Sept	8.53	8.60	4.60	6.68
Oct	6.63	9.79	6.63	9.76
Jan	9.76	—	—	0.89
March	7.24	7.35	7.24	7.35

CHICAGO

LIVE CATTLE 40,000 lb; cents/lb

	Close	High	Low	Prev
Dec	67.52	67.55	67.07	66.97
Feb	64.32	64.37	63.65	63.52
April	62.17	62.90	61.40	61.42
June	61.90	62.15	61.42	61.42
August	60.37	60.50	59.80	50.77
Oct	58.95	59.30	58.40	58.40
Dec	60.30	60.80	60.30	59.70

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	47.82	47.90	47.20	47.20
Feb	47.22	47.25	46.50	46.42
April	42.30	42.40	41.65	41.60
June	43.95	44.20	43.65	43.35
July	44.25	44.35	43.70	43.60
Aug	43.20	43.65	42.80	42.70
Oct	40.20	40.42	39.95	39.65
Dec	41.35	41.35	40.90	40.50
Feb	41.00	41.80	40.75	40.70

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
Dec	240.2	240.3	238.4	237.6
March	240.4	241.4	240.0	239.0
May	241.4	243.6	241.2	241.2
July	240.2	242.9	240.6	241.4
Sept	231.2	232.0	230.4	231.0
Dec	227.2	228.2	225.4	225.8
March	235.4	235.4	235.0	233.4

PORK BELLIES 38,000 lb; cents/lb

	Close	High	Low	Prev
Feb	63.82	63.82	61.90	61.82
March	63.85	63.85	62.05	61.85
May	65.02	65.02	63.25	63.02
July	64.92	64.95	63.40	63.10
August	62.45	62.45	60.90	60.50

SOYABEANS 5,00 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Jan	492.0	492.4	487.0	484.0
March	498.9	499.4	494.2	492.2
May	507.2	506.6	502.0	500.9
July	513.8	514.0	508.0	506.6
Aug	513.0	513.0	508.4	506.4
Sept	506.0	506.6	501.0	502.4
Nov	507.2	507.4	505.4	505.4
Jan	510.0	518.0	516.4	516.2
March	529.0	—	—	527.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	142.4	142.9	140.2	139.2
Jan	141.4	141.5	140.0	139.3
March	140.7	140.9	139.5	139.2
May	141.2	141.3	140.2	139.9
July	141.5	142.6	140.5	140.3
Aug	141.5	142.0	140.9	140.6
Sept	140.5	142.6	140.0	139.5
Oct	140.0	141.0	140.0	139.5
Dec	142.2	142.5	142.0	142.0
Jan	141.3	—	—	141.5

SOYABEAN OIL 60,000 lb; cents/lb

	Close	High	Low	Prev
Dec	19.26	19.40	19.13	19.17
Jan	19.30	19.40	19.15	19.17
March	19.37	19.48	19.25	19.29
May	19.60	19.75	19.50	19.52
July	19.84	19.95	19.70	19.63
August	19.85	20.00	19.78	19.78
Sept	19.85	19.95	19.80	19.90
Oct	19.30	—	—	19.93
Dec	20.10	20.10	19.85	20.02
Jan	20.05	—	—	19.90

WHEAT 5,000 bu min; cents/60lb bushel

	Close	High	Low	Prev
Dec	327.4	330.4	325.4	329.2
March	327.2	329.6	325.2	327.9
May	307.2	308.6	305.0	308.2
July	284.0	286.0	281.2	282.9
Sept	284.6	285.6	282.4	282.9
Dec	295.2	297.0	295.2	294.0

SPOT PRICES—Chicago loose lard 17.50 (19.00) cents per pound. Handy and Harman silver bullion 625.0 (628.0) cents per troy ounce.

POTATOES

After opening 50p up values were trimmed by keen profit-taking selling interest. Continuing unconfirmed rumours concerning tendered Dutch Bintje caused a sharp drop as reports circulated suggesting that some of the tenders had met PMO specification. On the decline stops were struck bringing further pressure to bear, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Feb	80.80	84.00	82.00-81.00
Apr	90.60	95.00	95.50-89.70
May	96.50	101.30	100.50-96.20
Nov.	73.80	74.00	—

Sales: 1,268 (1,325) lots of 40 tonnes.

SOYABEAN MEAL

The market opened 50p higher in light professional buying, reports T. C. Roddick. Continued trade buying during the afternoon left the market on the highs.

	Yesterday close £ per tonne	+ or −	Business Done
Dec.	122.5-123.5	+0.60	—
Feb.	124.5-125.6	+0.50	125.10
Apr.	126.3-126.6	+0.80	126.5-126.2
June	121.0-121.2	+0.60	121.0
August	121.0-121.2	+0.70	121.0
October	122.1-122.3	+0.45	—
Dec.	123.7-124.5	+0.85	—

Sales: 87 (125) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $139.00 (£95.50), unchanged (up 50p) a tonne for November-December delivery. White sugar $177.50, down $1.50.

No. 6 Contract	Yest'day's close $ per tonne	Previous close	Business done
Dec.	142.6-147.8	144.8	147.8-143.0
Mar.	157.6-157.8	160.6-160.8	161.2-157.8
May	161.0-162.0	164.8-164.8	165.2-161.8
Aug	166.0-167.2	170.0-170.8	170.0-166.3
Oct	170.8-171.4	175.0-175.8	174.2-172.8

Sales: 2,220 (1,470) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £198.50 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for November 25: Daily price 5.49 (5.57): 15-day average 5.46 (5.47).

PARIS (FFr per tonne): March 1405-1408, May 1417-1422, August 1457-1459, Oct 1491-1499, Dec 1505-1520, March 1558-1570.

OIL

Brent prices lost 25c in late trade following an uncertain and inactive day. Nymex opened 21c down and had lost a further 5c for January by 1.30 pm EST. In the petroleum products market gas/oil prices fell late in the day on general bearishness brought on by impending transatlantic imports and rumours of increased US stocks. Fuel oil prices firmed as short-term buyers of good quality material outstripped supplies—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	27.90-28.00	—
Arab Heavy	25.90-25.95	—
Dubai	27.25-27.35	+0.05
Brent Blend	30.50-30.60	−0.25
W.T.I. (1pm est)	30.75-30.85*	
Forcados (Nigeria)	30.75-30.95	+0.20
Urals (cif NWE)	28.20-28.50	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	275-279	—
Gas Oil	258-219	−6
Heavy fuel oil	149-161	+3
Naphtha	259-260	+1

* January

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or −	Business Done
Dec	278.00	−5.25	281.25-78.00
Jan.	270.00	−9.25	276.75-75.00
Feb.	266.20	−4.75	270.00-66.25
Mar.	254.50	−3.50	257.75-54.50
Apr.	244.25	−3.50	248.00-44.00
May	236.00	−0.50	238.50-35.70
June	251.75	−1.50	233.50-31.70
July	232.00	−0.75	233.00-32.05

Turnover: 2,172 (2,770) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel (Close, change, business done): Index 30.06, +0.25; Jan 29.85, −0.275, 30.20-29.92; Feb 28.99-29.03, −0.22, 29.35-29.15; March 28.30-28.70, +0.05, untraded; April 27.90-28.35, +0.075, untraded; May 27.00-28.00, −0.05, untraded.

Turnover: 30 (33) lots of 1,000 barrels.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Poor figures depress dollar

The dollar broke through lower resistance levels yesterday in reaction to poor US durable goods figures. Favourable West German trade figures also contributed to the decline. October's durable goods orders fell by 2.1 per cent from a fall of 0.9 per cent in September. Although renowned for its volatility, the figure was some way below market expectations, and after a brief pause, following the announcement, the dollar was sold off.

Background factors included speculation that a programme to cut the budget deficit and defence spending would lead to lower US interest rates and this in turn revived talk of a cut in the US discount rate. However it was difficult to see how sustained any fall in the dollar's value would be since many operators were remaining on the sidelines ahead of tomorrow's holiday in the US. Even the proximity of Christmas was exerting an influence on the scale of trading.

Against this background the dollar fell to its lowest closing level against the D-mark since July 1983 at DM 2.5490. Although this was a recovery from the day's low of DM 2.5445, it was still well down from Monday's close of DM 2.5660. The dollar resisted attempts to push it below Y200 and after touching a low of Y200.65, it recovered to finish at Y201.00 up from Y200.70 previously. It was lower against the Swiss franc however at SFr 2.0910 from SFr 2.1010 and FFr 7.7675 compared with FFr 7.8175. On Bank of England figures, the dollar's exchange rate index fell from 127.1 to 126.9.

STERLING — Trading range against the dollar in 1985 is 1.4705 to 1.0525. October average 1.4217. Exchange rate index closed at 80.5, unchanged from the opening but down from 80.6 on Monday. The six-months-ago figure was 79.1.

Sterling fell against the D-mark and other EMS currencies but improved against the dollar and the yen. It continued to benefit from high interest rates and firm oil prices but there appeared to be little enthusiasm on a longer-term basis.

It fell against the D-mark to DM 3.7475 from DM 3.7550 and FFr 11.4225 compared with FFr 11.4400. Against the Swiss franc it was unchanged at SFr 3.0750. It rose against the yen to Y295.50 from Y293.75 and finished at its best closing level against the dollar since March 1984 at $1.4700-1.4710, a rise of 70 points.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.5490. October average 2.6443. Exchange rate index 128.8 against 121.5 six months ago.

The D-mark was higher against the dollar in Frankfurt yesterday, helped by poor US economic datum and a favourable rise in West Germany's current account surplus. The dollar closed at DM 2.5570, down from DM 2.5670. Earlier in the day it had been fixed at DM 2.5689, compared with DM 2.5640 on Monday, and there were no reports of any intervention by the Bundesbank.

£ IN NEW YORK

	Nov. 26	Prev. close
£ Spot	$1.4735-1.4750	$1.4620-1.4630
1 month	0.45-0.40 pm	0.42-0.40pm
3 months	1.24-1.20 pm	1.24-1.21pm
12 months	3.83-3.73 pm	3.85-3.75pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT — FORWARD AGAINST POUND

Nov 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4545-1.4718	1.4700-1.4710	0.45-0.42c pm	3.55	1.22-1.18 pm	3.26
Canada	2.0088-2.0207	2.0178-1.0207	0.48-0.38c pm	2.58	1.25-1.11 pm	2.34
Nethlnd	4.20¾-4.22¾	4.21½-4.22½	2¼-2c pm	6.04	6-5¾ pm	5.51
Belgium	75.58-75.98	75.85-75.95	24-18c pm	3.32	61-52 pm	2.98
Denmark	13.52¾-13.57	13.55¾-13.56¾	3¾-2¾ore pm	2.88	8-7 pm	2.21
Ireland	1.2096-1.2151	1.2110-1.2120	0.25-0.11p pm	1.78	0.56-0.22 pm	1.29
W Ger	3.73¾-3.75½	3.74¾-3.75¾	2½-2¼pf pm	7.20	6¾-6½ pm	6.67
Portugal	233¾-240¾	236-240	140-435c dis	−14.50	580-1380 dis	−16.47
Spain	230.65-231.42	230.65-230.95	45-85c dis	−3.38	210-325 dis	−4.64
Italy	2523¾-2537½	2531¾-2532¾	1-4lire dis	−1.18	10-14 dis	−1.90
Norway	11.22¾-11.29	11.28-11.29	¼-¾ore dis	−0.47	2½-3¾ dis	−1.04
France	11.37¾-11.44¾	11.41¾-11.42¾	3-2¾c pm	2.82	6¾-5⅞ pm	2.14
Sweden	11.27¾-11.31¾	11.30¾-11.31¾	1½-1⅞ore dis	−1.86	4½-4⅞ dis	−1.59
Japan	293-296	295-296	0.97-0.84y pm	3.68	2.68-2.61 pm	3.51
Austria	26.24-26.36	26.24-26.27	13¾-12gr pm	5.77	36¾-32¾ pm	5.28
Switz	3.06-3.08	3.07-3.08	2½-2¼c pm	8.76	5⅞-5⅞ pm	7.40

Belgian rate is for convertible francs. Financial franc 76.35-76.45. Six-month forward dollar 2.21-2.16c pm. 12-month 3.80-3.65c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Nov 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4545-1.4710	1.4700-1.4710	0.45-0.42c pm	3.55	1.22-1.18 pm	3.28
Ireland†	1.2005-1.2135	1.2118-1.2128	0.23-0.13c pm	1.80	0.75-0.45 pm	2.00
Canada	1.3769-1.3786	1.3772-1.3782	0.08-0.12c dis	−0.91	0.28-0.33 dis	−0.89
Nethlnd	2.8640-1.8976	2.8695-2.8705	0.59-0.56c pm	2.38	1.61-1.58 pm	2.20
Belgium	51.55-52.08	51.56-51.65	1-2¼c dis	−0.40	4-6 dis ...	−0.38
Denmark	9.21-9.30½	9.21¾-9.22¾	⅛-⅜ore dis	−0.65	2-2½ dis	−0.97
W Ger	2.5445-2.5740	2.5385-2.5485	0.83-0.78pf pm	3.76	2.20-2.15 pm	3.39
Portugal	161-163½	161-162	200-450c dis	−23.93	650-1300 dis	−23.93
Spain	157.15-158.61	157.30-157.60	80-110c dis	−7.20	285-335 dis	−7.93
Italy	1221-1739¾	1721½-1722½	7-8 lire dis	−5.16	23-24 dis	−5.41
Norway	7.66-7.73¾	7.67¾-7.67¾	2½-3ore dis	−4.28	8-8½ dis	−4.28
France	7.76¾-7.85	7.76½-7.77	0.43-0.53c dis	−0.74	2.15-2.40 dis	−1.16
Sweden	7.66¾-7.75¾	7.68¾-7.68¾	3¾-3¾ore dis	−5.43	9¼-9¾ dis	−4.91
Japan	200.65-201.85	200.95-201.05	0.02y pm-0.01dis	−0.03	0.13-0.08 pm	−0.22
Austria	17.89-18.09	17.89-17.93	3½-3gr pm	2.18	10-7½ pm	1.94
Switz	2.0870-2.1065	2.0905-2.0915	0.95-0.90c pm	5.27	2.20-2.15 pm	4.13

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.90-52.00.

EXCHANGE CROSS RATES

Nov. 26	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.471	3.748	295.6	11.42	3.075	4.220	2532.	2.018	75.90
$	0.680	1.	2.549	201.0	7.768	2.091	2.870	1722.	1.373	51.60
DM	0.267	0.392	1.	78.86	3.048	0.821	1.126	675.7	0.539	20.25
YEN	3.384	4.975	12.69	1000.	38.65	10.41	14.28	8569.	6.834	256.0
F Fr.	0.875	1.287	3.281	258.7	10.	2.693	3.694	2217.	1.768	66.45
S Fr.	0.325	0.478	1.219	96.10	3.715	1.	1.372	823.5	0.657	24.68
H Fl.	0.237	0.348	0.888	70.02	2.707	0.729	1.	600.1	0.479	17.99
Lira	0.395	0.581	1.480	116.7	4.011	1.214	1.667	1000.	0.797	29.97
C $	0.495	0.728	1.856	146.3	0.657	1.523	2.090	1254.	1.	37.59
B Fr.	1.318	1.937	4.937	389.3	15.05	4.051	5.560	3336.	2.660	100.

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Nov. 26	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11¼-11¾	11⅝-11⅝	11⅝-11⅝	11⅛-11⅝	11⅜-11⅝	11⅛-11⅞
U.S. Dollar	8-8⅛	8-8⅛	8-8⅛	8-8⅛	8-8⅛	8⅛-8⅛
Can Dollar	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞	8½-9⅛	8½-9⅛
D Guilder	6⅞-6⅞	5¾-6⅞	5¾-5⅞	5⅞-5⅞	6⅞-6	5⅞-6⅛
Sw. Franc	⅛-⅛	7⅝-7⅞	3-3⅛	3⅞-4⅛	4-4⅛	4⅛-4⅞
Deutschmrk	4⅝-4¾	4½-4⅝	4⅛-4⅝	4⅛-4⅛	4¼-4⅞	4⅞-5
Fr. Franc	8⅛-8⅞	8¾-8⅞	8¾-8⅞	9⅛-9⅛	10-10⅛	10-10¼
Italian Lire	11-14	10¾-13¼	13¼-14	13⅝-13⅞	13⅞-14	13⅝-14⅛
B.Fr.(Fin)	8⅝-8⅝	8½-8¾	8⅛-8¾	8⅛-8¾	8⅛-8¾	8½-8¾
B.Fr.(Con)	8⅝-8⅝	8½-8¾	8½-8¾	8½-8¾	8⅛-8¾	8½-8¾
Yen	7⅛-7⅛	8⅛-8⅛	8⅛-8⅛	7⅞-8	7⅛-7⅞	7⅛-7⅛
D. Krone	8⅛-8⅞	8-8⅛	8⅞-8⅞	9-9⅛	9-9⅛	9¼-9¾
Asian $ (Sng)	8-8⅛	8-8⅛	8⅛-8⅛	8-8⅛	8-8⅛	8⅛-8⅛

Long-term Eurodollars: two years 8¾-8 per cent; three years 9⅛-9⅞ per cent; four years 9½-9¾ per cent; five years 9⅞-9⅞ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY MOVEMENTS

Nov. 26	Bank of England Index	Morgan Guaranty Change %
Sterling	80.5	−8.7
U.S. dollar	126.9	+15.0
Canadian dollar	88.5	−10.1
Austrian schilling	119.4	+5.2
Belgian franc	92.5	−8.0
Danish Kroner	83.3	−3.3
Deutsche mark	126.8	+10.1
Swiss franc	102.4	+13.7
Guilder	119.1	+0.8
French franc	69.1	−12.2
Lire	44.6	−19.7
Yen	176.1	+50.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Nov. 26	£	$
Arg'tina	1.1700-1.1723	0.8000-0.8010
Aus'alia	2.1100-2.1140	1.4480-1.4495
Brazil	10.388-13.457	0.150-0.195
Finland	8.0610-8.0740	5.5170-5.5190
Greece	218.75-220.47	148.98 153.11
H'kong	11.4150-11.4238	7.8000-7.8020
Iran	123.0*	85.10*
Kuwait	0.4246-0.4255	0.28908-0.28910
Lux'burg	75.85-70.95	51.55-51.65
Malay'asi	3.5530-3.5450	2.4195-2.4210
N'Z'land	2.0285-2.5385	1.7355-1.7400
Saudi Ar	5.3405-5.3485	3.6510-3.6510
Sin'pore	3.0465-3.0565	2.0880-2.0900
S.Af.(Cm)	3.8500-3.8805	2.6315-2.6585
S.Af. (Fn)	4.5720-4.7195	3.1250-3.2860
U.A.E	5.3705-5.3755	3.6720-3.6730

* Selling rate.

CURRENCY RATES

Nov. 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.744501	0.590413
U.S.$	7½	1.08573	0.859641
Canadian $	8.98	*	1.18459
Austria Sch.	4	10.6016	10.5251
Belgian Fr	8¾	56.4801	44.7010
Danish Kr	7	10.1005	7.99123
D mark	4	2.76928	2.20928
Guilder	5	3.14053	2.48586
French Fr	9½	8.23186	6.73185
Lira	10½	1864.91	1493.20
Yen	5	218.013	173.347
Norway Kr	8	8.37951	6.63397
Span'h Pta	—	171.953	135.124
Swedish Kr	10½	8.40565	6.66147
Swiss Fr	4	2.26720	1.81144
Greek Dr'ch	20½	164.702	130.257
Irish Punt	—	n/a	0.714561

*C$/SDR rate for November 25: 1.49650.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.7013	−0.29	+0.58	±1.5425
Danish Krone	8.12857	7.99123	−1.69	−0.82	±1.6421
German D-mark	2.23840	2.20928	−1.30	−0.43	±1.1455
French Franc	6.86402	6.73185	−1.93	−1.06	±1.3654
Dutch Guilder	2.52208	2.48586	−1.40	−0.53	±1.5162
Irish Punt	0.724578	0.714561	−1.38	−0.51	±1.6673
Italian Lira	1520.60	1493.20	−1.80	−1.55	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Firmer trend

Prices rose on the London International Financial Futures Exchange yesterday, but generally finished below the best. US Treasury bonds opened weaker at 80-23 for December delivery, near the day's low of 80-22. The cash market offered no new incentive, and the market showed little movement ahead of US durable goods orders for October. This set of figures is generally erratic, and forecasts for October covered a wide range between down 1 per cent to up 1 per cent, with most economists looking for a plus figure of about 0.5 per cent. The fall of 2.1 per cent was therefore a surprise, and encouraged immediate buying, rising through resistance at 80-26, but failing to move through another strong resistance point at 81-02. The buying was shortlived however, as traders reassessed the durable goods figures, and were disappointed to find that after taking out defence spending the result was roughly flat on the month. December bonds eased back to close at 80-30, compared with 80-25 on Monday.

Three-month Eurodollars for December opened weaker at 91.97, following a downward trend earlier in Singapore. There was good two-way business in a narrow range during the morning, before Chicago opened. Heavy selling took the contract down to a low of 91.94, slightly below a technical support level of 91.95, but it recovered on the durable goods figure for October, to close unchanged at 92.00, as the Federal funds rate remained under 8 per cent and the Federal Reserve did not intervene in the banking system.

December long term gilts closed just below the day's high of 112-29, encouraged by the upward trend in US bonds and the improvement by the pound against the dollar in the afternoon. The contract finished at 112-28, compared with 112-25 previously.

Three-month sterling deposits were also supported by the strength of sterling in the afternoon, finishing at 88.60, the highest level of the day, compared with 88.58 on Monday.

CURRENCY FUTURES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4705	1.4662	1.4585	1.5587	1.4333

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4615	1.4640	1.4530	1.4610
March	1.2121	1.4520	1.1203	1.4500
June	1.4390	1.4390	1.4320	1.4390

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4650	1.4680	1.4541	1.4635
March	1.4536	1.4515	1.4415	1.4480
June	1.4440	1.4355	1.4365	1.4385

Est. volume 172 (1,227)
Previous day's open int. 4,025 (3,770)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3932	0.3921	0.3897	0.3907
March	0.3965	0.3950	0.3950	0.3939
June	0.3998	—	—	0.3971

Est. volume 15 (88)
Previous day's open int. 250 (249)

STERLING INDEX

	Nov 26	Previous
8.30 am	80.5	80.6
9.00 am	80.5	80.6
10.00 am	80.5	80.8
11.00 am	80.4	80.7
Noon	80.5	80.7
1.00 pm	80.4	80.6
2.00 pm	80.3	80.6
3.00 pm	80.5	80.5
4.00 pm	80.5	80.6

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	112-28	112-29	112-12	112-25
March	113-03	113-04	112-18	112-30
Sept	112-03	—	—	111-30

Est. volume 5,698 (5,288)
Previous day's open int. 8,466 (7,860)
Basis quote (clean cash price of 13¾% Treasury 2004-08 less equivalent price of near futures contract) −4 to +0 (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	97-39	97-40	97-33	97-42
March	97-54	—	—	97-57

Est. volume 590 (499)
Previous day's open int. 1,702 (1,689)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	88.60	89.60	88.53	88.58
March	89.13	89.16	89.07	89.13
June	89.45	89.46	89.43	89.48
Sept	89.63	89.64	89.57	89.63
Dec	89.57	89.58	89.58	89.59

Est. volume 1,867 (1,258)
Previous day's open int. 7,070 (6,994)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	143.20	144.50	143.10	145.25
March	144.25	145.10	144.10	146.45

Est. volume 664 (489)
Previous day's open int. 2,034 (2,074)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	92.00	92.00	91.94	92.00
March	91.98	91.99	91.91	91.98
Sept	91.45	91.47	91.43	91.45
Dec	91.14	91.14	91.12	91.14

Est. volume 5,057 (2,798)
Previous day's open int. 21,196 (20,886)

LIFFE-EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last Dec	Jan	Feb	Vol	Puts—Last Dec	Jan	Feb	Vol
90.00	2.00	1.88	1.79	—	0.00	0.00	0.03	—
90.50	1.50	1.48	1.32	—	0.00	0.00	0.06	—
91.00	1.00	1.00	0.90	—	0.00	0.02	0.14	—
91.50	0.50	0.57	0.55	—	0.00	0.09	0.29	—
92.00	0.11	0.25	0.28	75	0.11	0.27	0.52	—
92.50	0.00	0.07	0.12	—	0.50	0.59	0.86	—
93.00	0.00	0.01	—	—	1.00	1.03	—	—

Previous day's open int: Calls 3,147. Puts 3,333.

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Dec	Jan	Feb	Vol	Puts—Last Dec	Jan	Feb	Vol
1.20	26.86	26.86	26.66	—	0.00	0.01	0.21	—
1.25	21.66	21.66	21.66	—	0.00	0.08	0.53	—
1.30	16.66	16.66	16.66	10	0.00	0.29	1.17	—
1.35	11.66	11.66	11.68	—	0.00	0.88	2.28	10
1.40	666	7.41	8.37	—	0.07	2.06	3.97	210
1.45	2.41	4.48	0.72	40	0.51	4.11	0.32	223
1.50	0.41	2.42	3.73	16	3.91	7.67	0.33	5

Previous day's open int: Calls 30,943. Puts 17,379.

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	Jan	Feb	Vol	Puts—Last Dec	Jan	Feb	Vol
1.20	26.50	—	—	—	0.10	—	—	—
1.25	21.50	—	—	—	0.10	—	—	—
1.30	16.50	—	—	—	0.10	—	—	—
1.35	11.50	11.50	11.50	—	0.10	0.20	0.50	—
1.40	6.40	0.50	8.80	—	0.20	0.70	1.45	20
1.45	2.00	2.80	3.60	58	1.00	2.30	3.40	55
1.50	0.40	0.85	1.70	42	4.50	0.40	6.50	—

Previous day's open int: Calls N/A. Puts N/A.

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	Jan	Feb	Vol	Puts—Last Dec	Jan	Feb	Vol
1.20	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—
1.35	—	—	—	—	—	0.50	—	5
1.40	6.00	—	—	187	0.10	1.40	—	53
1.45	1.80	—	—	100	—	—	—	—
1.50	0.35	—	—	1	—	—	—	—

Previous day's open int: Calls N/A. Puts N/A.

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	80-30	91-02	80-22	80-25
March	79-22	79-25	79-18	79-18
June	78-23	—	—	78-10

Est. volume 5,313 (2,588)
Previous day's open int. 4,187 (4,067)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	91-00	81-03	80-22	80-22
March	79-24	79-27	79-15	79-14
June	78-24	78-27	78-10	78-14
Sept	77-28	77-28	77-15	77-17
Dec	76-31	76-31	76-31	76-23
March	76-07	76-07	76-06	75-31
June	75-18	75-18	75-18	75-10
Dec	74-17	74-17	74-14	74-06
March	74-04	74-04	74.04	73-26

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.98	93.00	92.95	92.98
March	92.97	92.99	92.94	92.96
June	92.78	92.78	92.75	92.76
Sept	92.50	92.50	92.48	92.47
Dec	92.20	92.20	—	92.18
March	91.92	91.92	—	92.80
June	91.65	91.65	—	91.63
Sept	91.39	91.39	—	91.37

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.28	92.28	92.25	92.28
March	92.28	92.28	92.26	92.29
June	92.05	92.05	92.01	92.03
Sept	91.74	91.74	—	91.72

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.01	92.02	91.96	92.00
March	91.98	92.00	91.93	91.97
June	91.78	91.76	91.70	91.73
Sept	91.44	91.45	91.40	91.42
Dec	91.13	91.13	91.09	91.11
March	90.82	90.92	90.79	90.00
June	90.53	90.53	90.50	90.51
Sept	90.28	90.27	90.24	90.24

MONEY MARKETS

London rates hold steady

Interest rates held steady on the London money market yesterday, in spite of the late improvement by the pound against the dollar. The strength of sterling led to increased speculation about a possible cut in clearing bank base rates before the end of the year, but interbank rates failed to suggest any movement in that direction. Three-month money closed unchanged at 11⅝-11⅞ per cent, and discount houses buying rates for three-month bank bills were steady at 11⅛ per cent.

The Bank of England forecast a money market shortage of £100m in the morning, but changed this to £150m in the afternoon. Total help provided by the authorities was £135m. The Bank of England did not intervene before lunch, and bought £50m bank bills outright in band 2 at 11⅛ per cent in the afternoon. Late assistance of around £85m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury £257m, with bank balances below target absorbing £135m. These outweighed Exchequer transactions adding £280m to liquidity, and a fall in the note circulation of £25m.

In New York Federal funds traded around 7 13/16 per cent before lunch, and as expected the Federal Reserve did not intervene in the money market.

In Frankfurt call money rose sharply to 4.70 per cent from 4.50 per cent, and touched a peak of 5 per cent on end of month pressure. The Bundesbank added temporary liquidity through short-term currency swaps, estimated at around DM 2bn to DM 3bn. This was offered in dollar/D-mark transactions at a rate of 4.625 per cent, after banks had fallen behind on holdings of minimum reserve requirements for November. Banks were also seeking funds to finance a moderate round of tax payments on behalf of customers, which is expected to lead to another outflow of liquidity today. Despite the tightness there was no sign that banks needed to call on the Lombard facility, drawing only a small DM 100m on Monday. The central bank is expected to provide further funds for the market next week as a total of DM 9.1bn expires on December 4, via two repurchase agreements.

UK clearing banks' base lending rate 11½ per cent since July 30

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	8
Fed funds	7 13/16
Fed funds at intervention	—

Treasury Bills & Bonds	
One month	6.94
Two month	7.24
Three month	7.42
Six month	7.65
One year	7.84
Two year	8.52
Three year	8.75
Four year	8.02
Five year	9.21
Seven year	9.51
10 year	9.65
30 year	9.93

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 26)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/16	offer 8 3/16	bid 8 1/16	offer 8 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Nov. 26	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8-10	11½-11⅞	11⅝-11⅞	11⅝-11⅝	11⅝-11⅝	11⅛-11⅞
Sterling CDs	—	—	11½-11⅝	11⅝-11½	11½-11⅝	11-11⅛
Local Authority Depos	10⅞-11⅛	11⅛	11⅛	11½	11⅝	11⅞
Local Authority Bonds	—	—	12⅛	11⅞	11⅝	11⅞
Discount Mkt Depos.	9-11⅛	11¼-11½	11⅛	11⅛	—	—
Company Depos	10¾-11¾	11⅝-11¾	11¾	11¾	—	—
Finance Hse Depos	—	—	11¾	11⅞	11⅝	11¼
Treasury Bills (Buy)	—	—	11⅛	11⅛	—	—
Bank Bills (Buy)	—	—	11⅛	11⅛	10⅞-10¾	—
Fine Trade Bills (Buy)	—	—	11⅞	11¾	11⅛	—
Dollar CDs	—	—	7.9-8.0	7.9-8.0	7.9-8.0	8.1-8.2
SDR Linked Depos	—	—	7¾-8	7⅞-8⅛	7⅞-8⅛	7⅞-8⅛
ECU Depos	—	—	8¼-8½	8⅛-8½	8⅛-8½	8⅞-8⅞

Treasury Bills (sell): one-month 11 3/32 per cent; three-months 11 7/32 per cent; Bank Bills (sell): one-month 11 3/32 per cent; three-months 11 3/32 per cent. Treasury Bills: Average tender rate of discount 11.1177 per cent. ECGD Fixed Finance Scheme IV reference rate October 2 to November 5 (inclusive): 11.608 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from November 1 1985. Bank Deposit Rates for sums at seven days' notice 5.25-5.625 per cent (nil). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11½ per cent. Under £100,000 10¾ per cent from November 18. Deposits held under Series 5 11½ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Nov. 26	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Inter'vntion
Frankfurt	4.6-4.8	4.55-4.65	4.75-4.85	4.70-4.85	4.70-4.90	0.0
Paris	9¼	8¾-8⅞	8¾-8⅞	8¾-9⅛	9⅛-9⅛	9¾
Zurich	7⅛-1⅛	2⅛-3⅛	—	3⅞-4	—	—
Amsterdam	5⅞-5⅛	5¾-5⅞	—	5⅞-5⅞	5⅛-5⅛	—
Tokyo	7.71875	8.10625	8.09375	7.96875	—	—
Milan	14¾-14¾	14½-14⅞	—	14¼-14¾	—	—
Brussels	5.80	8½-8¾	—	8½-8¾	8⅝-8⅝	—
Dublin	—	8½-9¾	9¾-10	27⅛-10⅛	10⅛-10⅝	—

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1985 High	1985 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
45	34	Maclellan (P & W) 20p	44	.....	†1.7	2.3	3.5	9.1
88	46	Magnolia Group	88	.....	2.6	3.0	4.2	10.7
60	28	Mahomet Hldgs 10p	52	.....	—	—	—	84.9
515	202	Man. Ship Can. £1	487	.....	5.5	3.3	1.6	25.6
129	70	Marley	118	+6	3.75	2.2	4.5	14.3
107	52	Marling Ind. 10p	92	.....	d1.5	3.7	2.3	11.7
82	36	Marshall L'ry. 'A'	72	–2	†2.4	4.9	4.0	5.2
77	55	Marshall's Universal	74	+1	†2.0	1.4	3.9	(23.5)
89	78	Do. 7½pcCnRedPf £1	87xd	+1	7½%	—	12.3	—
£110	£81	Matthesons 7¾%	£110	.....	Q7¾%	2.3	7.2	—
35	15	Maxiprint 1p	19	.....	—	—	—	—
551	375	Metal Box £1	508xd	–5	17.25	3.0	4.9	0.8
178	130	Metal Closures	112	.....	6.7	2.0	8.5	7.0
17	3	Metal Sciences 2½p	6	+½	—	—	—	—
104	63	Midland Mars	80xd	.....	4.0	2.1	7.1	9.6
63½	55½	Mitchell Cotts	69½xd	–1½	4.25	2.0	8.7	(7.0)
290	182	Morgan Crucible	205	.....	18.0	1.6	5.6	14.1
33	22	Morris (W) F.A. 20p	23	.....	g0.5	♦	3.1	♦
191	91	Moss (Robt.) 10p	112xd	.....	†3.0	2.7	3.8	12.4
81	60	Mysan Grp 10p	65xd	.....	g2.5	3.4	5.5	12.3
328	214	NMW Computers	305	.....	†4.8	2.7	2.2	23.4
43	28	Nash Inds.	32	.....	‡2.5	1.5	‡	7.4
48	15	Neil & Spencer 10p	18	.....	♦	—	—	3.4
44	14½	Newman Inds 10p	33	.....	20.3	—	1.1	(15.6)
46	26	Nolton	46	.....	1.17	8.1	3.6	4.6
236	146	Norcros	226	.....	8.6	2.2	5.7	10.8
67	45	Nu-Swift 5p	50	.....	†3.0	1.9	8.6	8.1
114	68	Oakwood Grp	100	–2	†d4.5	1.4	6.4	(14.7)
250	150	Office & Elect	212	.....	†7.5	2.6	3.7	10.9
108	75	Oldacre 20p	85	.....	4.0	2.6	6.7	7.5
58	37	Optometrics $0.01	40	.....	[illegible]	—	[illegible]	—

LEISURE—Continued

1985 High	1985 Low	Stock	Price	+ or –	Div Net	C'vr
52	7	Entertain Prod 5p	10	.....	bc2.25	2.1
82	50	Fairline Boats 10p	81	.....	†2.63	2.6
391	228	First Leisure £1	384	+1	†6.5	2.8
69	51	GRA Group 5p	67	.....	—	—
32	25	Grampian TV & 10p	28xd	.....	†b1.67	♦
175	117	HTV Non/Vtg.	175	.....	7.7	2.9
148	78	Horizon	93	.....	†4.4	3.6
140	95	Intl Leisure 10p	100	.....	4.8	3.1
232	100	Juliana's Hldgs 2p	100	.....	†2.0	1.8
300	237	LWT	265xd	.....	14.4	♦
38	25	Leisure Inv 10p	34	.....	—	—
65	53	Leisuretime Int 10p	58	.....	†2.1	3.9
115	98	Lewmar	102	–1	u2.63	3.0
103	153	Media Tech Int 20p	165	.....	g2.58	5.4
205	124	Medminster 10p	156xd	.....	5.35	2.0
280	175	Miss World 10p	185	.....	3.6	4.1
127½	69	Nationwide Leisure	69	.....	t3.75	2.5
39	11½	Nimslo Int 20c	15½	.....	—	—
27	19½	Owners Abroad	22½	.....	1.0	2.2
54	36	Photax (Lon.)	88	–4	—	—
24½	18	P'dilly Radio NV 5p	21	.....	1.87	1.1
90	30	Pineapple Dnc St 10p	36	–2	—	—
342	183	Pleasurama 5p	323	.....	†h4.6	3.7
161	109	Do. 7pcCvCnRedPf	158	–1	7%	—
96	77½	Pres Entertain 50p	86	.....	N2.0	2.1
65	18	Radio City 'A' NV	25	–5	—	—
55	35	Radio Clyde NV	40	–2	3.25	2.0
63	34	Riley Leisure 10p	46	+1	‡0.7	—
194	143	Saga Hols. 20p	192	.....	†4.0	2.5
289	97	Samuelson Grp 20p	280	–5	12.4	6.0

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1985 High	1985 Low	Stock	Price	+ or –	Div Net	C'vr	Gr's
350	117	Centennial Min'ls	162	.....	—	—	—
120	48	Colby Res Corp	70	.....	—	—	—
550	175	Cons. Murch. 10c	215	.....	gQ66½c	3.9	10.5
40	24	Emrer Int. Ir10p	32	.....	—	—	—
123	84	Greenwich Res	84	–1	—	—	—
215	115	Hampton Areas 10p	158	.....	3.75	0.9	3.4
260	135	Highwood Res	150	+10	—	—	—
£22½	£15¾	Homestake Mining $1	£16¾	+½	Q20c	—	0.9
310	155	McFinley Red Lake	205	.....	—	—	—
335	193	Musto Explorations	280	.....	—	—	—
55	23	New Sabina Res C$1	42	.....	—	—	—
375	195	Northgate C$1	232	+2	—	—	—
685	525	RTZ	535	–7	†20.0	2.8	5.3
£145½	£116½	Do. 9½pcLn '95-2000	£122½	–½	Q9½%	14.0	8.1
980	880	Tara Expln $1	900	+20	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ▼ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♯ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	100	.....	Fin. 13% 97/02	£104¾	+½
Craig & Rose £1	800xd	.....	Arnotts	225xd	.....
Finlay Pkg. 5p	51	.....	CPI Hldgs	67	.....
Holt (Jos) 25p	710	.....	Carrol Inds.	145	+5
IoM Stm. £1	77	.....	Dublin Gas	77	.....
			Hall (R. & N.)	56	.....
IRISH			Helton Hldgs.	23	–1
Fund 11¼% 1988	£100⅞	.....	Irish Ropes	45	.....
Nat. 9¼% 84/89	£95¼	.....	Unidare	130	–2

"Recent Issues" and "Rights" Page 42 (International Edition Page 46)

LONDON STOCK EXCHANGE

MARKET REPORT

Profit-taking halts five-day upsurge in equities

FT index retreats 18.4 to 1128.5

ACCOUNT DEALING DATES

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 11	Nov 21	Nov 22	Dec 2
Nov 25	Dec 5	Dec 6	Dec 16
Dec 9	Dec 19	Dec 20	Jan 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

The five-day upsurge in equity prices which swept the FT Ordinary share index nearly 64 points higher ended in the same spectacular fashion yesterday. The temptation to take profits after such a sharp rise was too much for investors and so easier treod on Wall Street overnight gave them n plausihle excuse. Dealers were forewarned, having expected the inevitable sell-off during the previous trading session, so were on their guard the moment husiness opened.

A board mark-downs of blue chip issues and receot high-fliers failed to deter the profit-taking sales but the business mede only a token impact at first. Around mid-morning the tone began to steady and it looked as though the squall had blown out but during the afternoon the market encountcred mere turbulence. Dealers became worried over the absence of institutienal support and in thin trading the downturn gathered speed.

Renewed duliness in New York early yesterday exacerbated the market's unease which continued into the after-beurs' business. Finally the FT Ordioary share index closed showing ene ef its beaviest falls for some time at 1128.5, down 18.4. The broader-based FT SE 100 share index was similarly affected, eoding 23.6 lower at 1431.9.

Sheik Yamani's fresh warning about oil prices stifled interest in the eil secter but losses were confined to a few pence. Elsewbere double-figure falls appeared against many leading stocks with the emphasis on issues which have been strong recently en takeever speculation. Of Monday's outstanding quartet, British Home Stores, Habitat Mothercare and United Biscuits all reacted but Imperial continued to forge ahead.

Gilt-edged edged securities drifted back with the exchaoge rate, which initially lost firmness against the dollar. Interest was subdued for conventional stocks pending the outcome later this week of the tender offer for the new £1bo sbort Gilt stock, Exchequer 10½ per cent 1989. Index-linked issues made on of their periodic returns to popularity belped by recent Press comment. Small demand in an oversold market had quite an effect, producing improvemeots ranging to ½ amoog both short- and longer-dated stocks.

Mercury Secs fall

Mercury Securities dropped 23 to 690p on profit-taking io the wake of Mr Saul Steinberg's decision to limit his sharebolding in the compaoy; associated stock-jobbiog coocern Akroyd and Smithers lost 15 to 515p in sympathy. Elsewhere, the major clearers took a distinct turn for the worse with NatWest leading the retreat with a decline of 15 to 707p. Midland fell 13 to 443p. Lloyds dipped 11 to 502p and Barclays 9 to 453p.

Iosurances closed l ower throughout the list. General Accident, addtionally hurdened by rumours of a vendor placing, lost 17 at 718p.

Allied-Lyons drifted 9 to 287p on lack of interest despite the better-than-expected first-half figures. Similar conditions prevailed elsewhere in Breweries with recent high-flier Bass 14 cheaper at 675p, and Guinness 4 off at 303p. Elsewhere, Distillers reacted to occasional profit-taking to close 8 lower at 482p.

Among Building issues, BPB responded to better-than-expected interim results with a rise of 16 to 368p, but news of the half-year loss and interim dividend passing left Thomas Warrington 6 lower at 70p. Watts Blake Bearne, in sympathy with speculative rise in English China Clays, advanced to 190p before settling 12 dearer at 186p. Other bright spots included Geo Wimpey, 6 firmer at 130p, and J. Laing, 9 higher at 345p.

Occasional offerings left ICI 15 cheaper at 717p, while Leigh Interest eased a few pence to 118p following the half-year figures.

Leading Electricals were upset by Press comment on a possible new Government initiative to farm-out defence contracts to smaller componies. Falls of 8 were marked against GEC, 178p and Plessey, 138p. Ferranti also gave up 8 at 126p, while Cable and Wireless fell 16 to 637p. Goodin dipped 8 to 167p, following the withdrawal of its offer for Sunleigh. Apricot, in contrast picked np 5 to 65p on recovery hopes despite the poor interim figures. Amstrad drew encouragement from the annual meeting and put on 12 to 198p, but Alphameric fell 11 to 135p on profit-taking after the interim figures.

Stores give ground

Leading Retailers, having led the equity market to successive peaks recently amid widespread enthusiasm over consumer spending trends, were quick to react to profit-taking. Woolworth dipped 18 to 577p, while GUS A closed 8 off at 895p. Consideration of the proposed merger left Habitat Mothercare 17 lower at 548p and British Home Stores 12 cheaper at 397p. Burton were again volatile and fell to 570p before finishing 12 down on balance at 578p oo continuing thoughts that Habitat will not take up its option to acquire 20 per cent of Debenhams. Marks and Spencer also lost grouod and fell 6 to 182p, but W. H. Smith A were relatively steady at 294p after acquisition news. Secondary Stores were generally neglected, although J. Hepworth gave up 14 to 230p. Press comment lifted H. Samuel A a few pence to 90p, while further consideration of the annual results aided Share Drug, 4 higher at 287p.

Babcock International provided one of the few bright spots in the Engineering sector, advancing to 188p before settling a shade below the best at 187p, up 11 on balance; the rise was accompanied by talk of a possible stake build-up by a US group or Hanson Trust. Following the increased and final offer from James Neill, Spear and Jackson closed a couple of pence cheaper at 256p, while the former eased 4 to 157p. Vosper weakened 81 to 210p in a limited market. Among the Leaders, GKN gave up 8 at 266p.

The Food sector became quieter after the previous day's excitement on the United Biscuits Imperial Group development. Awaiting further news of the merger discussions, United Biscuits, at 256p, lost 9 of Monday's rise of 26, but Imps firmed 4 more for a two-day advance of 15 to 233p. Rowntree Mackintosh dropped 13 to 400p, but Cadbury Schweppes, at 159p, beld Monday's speculative rise of 12. Elsewbere, Basset reflected disappointment with the sharp interim profits contraction and touched 151p before finishing a net 6 lower on balance at 156p. Sompertex gave np 14 to 156p.

Hanson weak late

Hanson Trust weakeoed late to 211p, down 11, on news that the company had lost its application for an injunction against the SCM deal. Other leading miscellaneous industrials turned distinctly easier, BTR reacting 12 to 378p, BOC 10 to 318p and Reckitt and Colman 13 to 608p. Boots gave np 9 at 263p after the previous day's speculative flurry, but Beecham closed unaltered at 323p, after having touched 330p at one stage; the early improvement was accompanied by vague talk of a bid from Unilever. Elsewhere, many recent favourites encountered profit-taking. Wolseley-Hughes dipped 19 to 561p, while double-figure losses were also recorded in Christies International, 273p, Scapa Group, 436p, Associated British Ports, 372p, and British Aerospace, 372p. Ashley Industrial Trust ran back 7 to 77p. In contrast, English China Clays featured a gain of 13 to 284p, after 291p, on rumours of a bid from Tarmac, while revived speculative demand left Marley 5 to the good at 117p, after 118p. Bowater firmed 10 to 328p late on acquisition news.

Continuing to reflect asset injection hopes following the 40p per share offer from Mr J. R. Peace, Sangers Photographie advanced to a 1985 peak of 111p before closing a net 3 better on balance at 106p.

Publishers again highlighted William Collins which touched 490p before closing a net 15 up for a two-day gain of 25 at 485p; the A shares rose 11 more to 336p.

Leading Properties drifted lower oo lack of support. MEPC softened the turn to 300p in front of today's preliminary figures, while Land Securities relinquished a few pence at 318p. Elsewhere, Southend Stadium made further progress, rising 5 more to a 1985 peak of 92p following press speculation about a possible bid from Yelverton Investments. Dealings in estate agents Bairstow Eves—suspended on Monday at 153p—are expected to resume at 9.30 am today following news of agreed cash and share-exchange bid terms from Hambros, 5 better at 190p.

Textiles presented an irregular profile. David Dixon, well supported of late following A. & J. Gelfer's acquisition of a 20 per cent stake, rose 8 more to 248p in response to the increased interim profits and dividend. In sharp contrast, Parkland A fell 11 to 95p, after 93p following acutely disappointing mid-term profits.

In Tobaccos, Bats, down to 280p at one stage, settled only 5 lower on balance at 283p. Rothmans International revealed interim profits below market estimates and closed 5 off at 121p, after 118p.

Asset Special Situation Trust, still buoyed by the proposed acquisition of fund managers Guildhall, hardened 8 more to 83p—an advance of 30 over the last three trading sessions. Elsewhere in Investment Trusts, Fashion and General were marked 33 higher to 413p in reply to the near-doubled first-half profits. Britannia Arrow featured Financials, rising to 154p before settling only a couple of pence dearer on balance at 149p in the absence of a widely-rumoured market raid on the company's shares; Guinness Peat, unwelcome bidders for BA, has received only minimal acceptances for its offer.

Oils decline

The latest in a series of warnings from Sheik Yamani of possible sharp falls in crude oil prices unsettled the oil share market. Dealers ignored another firm showing by spot oil prices and marked quotations easier from the outset. Towards the close the leaders staged a minor rally and BP ended the session a net 6 lower at 590p, having fallen earlier to 585p, while Shell closed 7 down at 675p and LASMO a like amount off at 250p. Britoil remained a resilient market and rallied from an initial 235p to close only a couple of pence easier on balance at 238p.

Elsewhere, Carless Capel dipped 5 to 112p following the interim results. New London Oil fell back to 55p but picked up well to end the day a shade firmer on balance at 60p awaiting today's half-year results.

In Overseas Traders, Polly Peck encountered nervous offerings in front of next Monday's preliminary results and dipped 8 more to 160p; the shares have fallen 65 since November 15 when L. Messel, the company's stockbrokers, downgraded its profits forecast.

Golds quiet

Mining markets were much quieter than of late and attracted minor bouts of profit-taking. South African Golds ran out of steam after the recent advance but widespread small losses in the sector owed more to general lack of interest rather than selling pressure. Recent demand from South African and Continental sources dried up early on and share prices tended to drift in idle trading, before edging better in late after-hours trading.

The Gold Mines index gave up 2.8 to 306.6 while the bullion price traded around $331.5 for much of the day before closing a net $0.75 firmer at $331.75 an ounce, belped by the latest decline in the dollar.

Australian mines were mixed. A number of the gold mining issues made progress but most leading stocks eased.

Traded Option volume increased slightly with 16,903 contracts done—11,766 calls and 5,137 puts.

FINANCIAL TIMES STOCK INDICES

	Nov. 26	Nov. 25	Nov. 22	Nov. 21	Nov. 20	Nov. 12	Year ago
Government Secs	83.85	83.98	83.86	83.60	83.37	83.41	83.00
Fixed Interest	89.34	89.37	88.90	88.96	88.78	88.75	86.05
Ordinary ♥	1128.5	1146.9	1135.4	1121.8	1106.0	1095.5	925.3
Gold Mines	306.6	309.4	294.5	296.6	285.2	277.6	559.2
Ord. Div. Yield	4.32	4.22	4.28	4.31	4.36	4.40	4.61
Earnings, Yld. % (full)	10.76	10.63	10.69	10.69	10.88	10.90	11.25
P/E Ratio (net) (*)	11.46	11.60	11.53	11.53	11.39	11.61	10.65
Total bargains (Est.)	34,947	38,000	32,860	28,754	24,436	23,159	17,481
Equity turnover £m.	—	512.94	634.29	645.03	729.12	598.25	295.63
Equity bargains	—	36,320	36,689	31,619	28,567	24,141	16,221
Shares traded (ml)	—	300.3	329.1	316.4	349.6	279.3	184.2

♥ 10 am 1137.4. 11 am 1136.4. Noon 1138.1. 1 pm 1136.2. 2 pm 1133.2. 3 pm 1131.7. 4 pm 1129.8.

Day's High 1142.3. Day's Low 1128.2.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=11.08.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.38 (25/10)	88.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1146.9 (25/11)	911.0 (25/7)	1146.9 (25/11/85)	49.4 (26/6/40)
Gold Mines	656.2 (15/4)	217.6 (6/11)	734.7 (15/2/83)	43.6 (28/10/71)

S.E. ACTIVITY INDICES

	Nov. 25	Nov. 22
Daily Gilt Edged Bargains	151.6	146.2
Equities Bargains	228.2	267.7
Equities Value	1263.1	1282.1
5-day Average Gilt Edged Bargains	139.8	135.5
Equities Bargains	208.5	191.4
Equities Value	1304.4	1226.8

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS — (82)

BRITISH FUNDS (82)
Treas. 12¼pc 1993 Conversion 9¼pc 2001
Treas. 13¼pc 1997 Consols 2½pc

INTL. BANK & OVERSEAS GOVERNMENT STERLING ISSUES (1)
Int.-Am. Dev. Bk. 12½pc 2003

CORPORATION LOANS (1)
LCC 6½pc 1985-87

AMERICANS (1)
Pennzoil

CANADIANS (1)
Granges Explts.

BANKS (2)
Comm. Bk. of Wales London Scot. Finance

BUILDINGS (5)
Aberdeen Construct. Countryside Props.
Berkeley Group Laing (John)
Bryant

STORES (6)
Aquascutum Ratners
Do. A Samuel (H.)
Cabicci Steinberg

ELECTRICALS (6)
Amstrad Memec
Applied Holographics Process Systems
Jones Stroud Western Selection

ENGINEERING (4)
Babcock Intl. Weir
Glynwed Intl. Do. 10pc Cnv.Pf.

FOODS (3)
Meadow Farm Prod. Watson & Philip
RHM

HOTELS (1)
Queens Moat Houses

INDUSTRIALS (12)
Bodycote Intl. MY Dart
Brook St. Bureau Marley
Davies & Newman Robertson Research
Dom Sinclair (Wm.)
English China Clays Unilever N.V.
Esselte AB Waterford Glass

LEISURE (1)
Sangers Photo.

NEWSPAPERS (2)
Collins (Wm.) Collins (Wm.) A

PAPER (2)
Cropper (James) Heggett Bowers

PROPERTY (8)
CALA Southend Stadium
Evans of Leeds Trencherwood
Grainger Trust Trust of Property
Parkdale Walker (Alfred)

SHIPPING (1)
P A O Defd.

TEXTILES (3)
Dawson Intl. Tomkinsons
Dixon (David)

TRUSTS (17)

MINES (1)
F. S. Development

NEW LOWS — (21)

FOREIGN BONDS (2)
Greek 7pc Ass. Do. 6pc 28 Stb. Ass.

AMERICANS (1)
US Steel

ELECTRICALS (6)
Airplecoric A NV Racal
Dehmann Elect. Sound Diffusion
Kodn Intl. Wayne Kerr
Multitone Elects. Webber Electro.
Prestwick

INDUSTRIALS (2)
Combined Technology Fertil-A Chrome

PAPER (2)
Aldcom Intl. Osprey Comms.

PROPERTY (1)
London Prov. Shop

TEXTILES (1)
Balmer & Lamb

TRUSTS (2)
Pacific Assets Trust Second Market Inv.

OILS (4)
Charterhouse Petrlm. Excalibur Oil & Gas
Claremont Petrlm. Night Hawk Resources

OVERSEAS TRADERS (2)
Polly Peck Intl. Do. 9pcCnvLn 2003-08

PLANTATIONS (1)
Kuala Kepong

MINES (4)
Bougainville Tronoh Mines
Meals Explts. Greenwich Resources

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon Nov 25 Index No.	Fri Nov 22 Index No.	Thurs Nov 21 Index No.	Year ago (approx.) Index No.
[illegible]										

FIXED INTEREST

PRICE INDICES	Tues Nov 26	Day's change %	Mon Nov 25	xd adj. today	xd adj. 1985 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Tues Nov 26	Mon Nov 25	Year ago (approx.)
[illegible]			

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Babcock Intl.	187	+11
Beecham	323	—
Boots	263	−9
British Aerospace	471	−12
British Home Stores	397	−12
Burton	578	−12
English China Clays	284	+14
Marley	116	+6
Scottish Invst Trust	308	+3
Smith (W. H.) A	294	−4
Spear and Jackson	256	−2
United Biscuits	256	−9

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Boots	37	272xd	+19½
Brit Home Strs	30	409	+36
Burton	25	590	−13
Utd Biscuits	25	265	+25
Cadby Schwps	18	159	+12
Wolseley-Hughs	19	580	+37
Brit Aerospace	18	483	+21
Beecham	17	323xd	+16
Imperial Group	17	229	+11
Asset Special	16	80xd	+9½
Sangers Photo	16	103	—
Bairstow Eves	15	*153	−2

*Price at suspension.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$320	26	32	2	27	—	—	$331.90
GOLD C	$340	147	8.50	47	14	4	12	"
GOLD C	$360	86	2.60	4	5.50	25	10.50	"
GOLD P	$320	75	6	—	—	—	—	"
GOLD P	$340	61	10	15	11.50	20	11	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 26,326

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or −
[illegible]							

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
[illegible]							
50	Nil	23/12	4pm	1pm	Pavion Intl.	1½pm	−½
62	Nil	—	4pm	1½pm	Readicut 6p	1½pm	−½
240	Nil	—	45pm	40pm	Samuelson Grp. 20p	40pm	−5
127	Nil	—	36pm	34pm	Wedgwood	36pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1986. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Nov 18	Nov 29	Feb 20	Mar 3
Dec 2	Dec 13	Mar 6	Mar 17
Dec 16	Jan 3	Mar 26	Apr 7

For rate indications see end of Unit Trust Service

Call options were taken out in Carless Capel and Leonard, New Court Natural Resources, West Coast, Brunswick, Aquarius, Apricot Computers, Aidcom International, Atlantic Resources, Arthur Lee, Charterhall, H. Samuel A, Arid Technology, Premier Oil, Clyde Petroleum, Fine Art Developments and TSL Thermal Syndicate. Puts were done in Fine Art Developments and Boots, while a double was transacted in C. H. Bailey.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	24	30	55
Corpns. Dom. & Foreign Bonds	9	15	58
Industrials	192	431	865
Financial & Props.	111	158	296
Oils	17	31	79
Plantations	—	4	14
Mines	43	41	102
Others	58	91	84
Totals	454	801	1,553

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*585)	500	98	106	—	1½	7	—
	550	60	62	77	6	20	27
	600	17	67	38	25	45	50
Cons. Gold (*507)	460	70	80	87	7	12	60
[illegible]							

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
P. & O. (*445)	390	27	76	—	6	5	—
	420	40	50	50	2	15	18
	460	18	27	36	20	27	35
Racal	160	18	24	62	6	2	11
[illegible]							

November 26 Total contracts 16,903 Calls 11,766 Puts 5,137

*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm November 26

[illegible]

Sales	Stock	High	Low	Close	Chng
9020	Redpath	$15	14⅞	15	
700	Regional R	410	400	410	+10
617	Rio Algom	$21½	21½	21½	
2025	Rogers A	$11¼	11⅛	11⅛	−¼
9458	Rogers B f	$14⅛	14¼	14¼	−¼
100	Roman	$13½	13½	13½	−¼
48217	Royal Bnk	$34⅛	33⅞	34	

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices November 25

Sales	Stock	High	Low	Close	Chng
[illegible]					
43732	Provigo	$14⅛	13¾	14⅛	+⅛
4400	RollandA	$17½	17½	17½	
25384	Royal Bank	$34⅛	33⅞	33⅞	−¼
570	RoyTrstco	$22⅞	22⅞	22⅞	
2950	SteinbrgA	$31½	31	31	−1

Total Sales 2,813,352 shares

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

Advances 774 Declines 748

TORONTO	Nov 26	Nov 25	Nov 22	Nov 21	1985 High	1985 Low
Metals & Minls	1,988.4*	1,927.8	1A	1,918.4	2198.7 (13/2)	1748.82 (31/10)
Composite	2,813.8*	2,819.5	2,831.7	2,898.7	2838.7 (21/11)	2348.5 (8/1)
MONTREAL Portfolio	136.78*	137.84	137.84	137.78	138.33 (19/7)	117.88 (4/1)

* Indicates pre-close figure

	Nov. 25	Nov. 26	Nov. 22	Nov. 21	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	998.4	1008.5	991.80	984.5	1052.2 (25/10)	715.6 (7/1)
Metals & Minls. (1/1/80)	498.1	499.1	490.70	485.3	585.5 (20.5)	382.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	121.23	119.22	116.72	115.03	121.93 (26/11)	58.21 (24/1)
BELGIUM						
Brussels SE (3/1/80)	2983.88	2986.36	2982.84	2961.82	2986.36 (25/11)	2058.7 (14/1)
DENMARK						
Copenhagen SE (3/1/83)	219.79	219.62	222.95	221.66	237.57 (24/10)	158.44 (9/1)
FRANCE						
CAC General (31/12/82)	247.9	248.5	246.60	239.5	248.5 (25/11)	188.9 (3/1)
Ind Tendance (28/12/84)	143.1	144.2	(u)	138.9	144.2 (25/11)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	598.74	601.51	601.98	597.08	601.98 (22/11)	392.88 (3/1)
Commerzbank (1/12/53)	1765.6	1774.5	1775.40	1764.8	1781.4 (4/11)	1111.8 (4/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1738.55	1756.49	1712.82	1762.61	1762.51 (21/11)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	431.49	430.57	428.75	425.52	431.49 (26/11)	225.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	12785.1	12783.4	12750.38	12887.0	13055.5 (15/10)	11545.2 (6/1)
Tokyo SE New (4/1/68)	1008.27	1008.40	1008.52	1001.22	1057.55 (10/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	230.8	230.2	230.10	228.8	230.2 (25/11)	185.6 (3/1)
ANP-CBS Indust (1970)	212.5	214.1	214.50	213.6	214.50 (22/11)	147.9 (8/1)
NORWAY						
Oslo SE (4/1/83)	402.98	406.58	400.30	404.51	412.88 (12/11)	298.15 (2/1)
SINGAPORE						
Straits Times (1966)	717.80	729.23	733.00	733.99	852.65 (7/3)	717.80 (26/11)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1277.1	1216.8	1218.4	1277.1 (25/11)	829.3 (6/8)
JSE Indust (28/9/78)	—	1045.9	1028.8	1022.2	1045.9 (25/11)	767.1 (7.8)
SPAIN						
Madrid SE (28/12/84)	134.61	136.76	136.72	137.34	137.34 (21/11)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1586.75	1569.51	1552.20	1513.88	1593.75 (26/11)	1295.32 (9.7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	534.3	535.2	538.60	536.6	538.60 (22/11)	390.7 (8/1)
WORLD						
Capital Intl. (1/1/70)	—	244.7	244.4	243.10	244.4 (22/11)	194.8 (4/1)

** Saturday November 23: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON Chief price changes

(in pence unless otherwise indicated)

RISES		
Tr 2½% IL 2020	£91	+ ⅝
Amstrad	198	+12
BPB Ind	368	+15
Babcock Int	187	+11
English China	284	+14
Fashion & Gen	413	+33
Southend Stad	92	+ 5

FALLS		
Allied-Lyons	287	− 9
Alphameric	135	−10
Bassett Foods	156	− 6
Boots	283	− 9
BAe	471	−12
Brit Home St	397	−12
Burton	578	−12
Habitat Moth	548	−17
Hanson Trust	211	−11
Hepworth (J)	230	−14
ICI	717	−15
Mercury Secur	890	−23
Midland Bank	443	−13
NatWest Bank	707	−15
Parkland Text A	95	−11
Plessey	138	− 8
Polly Peck Int	160	− 8
Rothmans Int B	121	− 5
Rowntree Mack	400	−13
Somportex	156	−14
United Bisc	258	− 9
Vosper	210	−31
Wolseley-H	561	−19

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 49

[illegible]

Prices at 3pm, November 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅜	16	AAR	.55	2.4	15	271	22⅞	22¾	22⅞	+ ⅛
19	10⅛	AGS			15	74	19	18¾	18¾	- ⅛
50¾	32¼	AMR			7	7894	40⅛	38½	40⅛	+ ½
23¾	18⅝	AMR pf	2.18	9.1		103	u23⅞	23⅝	23⅞	+ ¼
22	19	ANR pf	2.12	10.		2	20½	20½	20½	- ⅛
15⅜	9	ARX			14	78	15⅛	14⅞	15	+ ⅛
58⅝	33¾	ASA	2a	5.3		404	38⅛	37¾	37¾	- ¾
27	10½	AVX	.32	2.5		65	12⅞	12⅝	12⅞	+ ⅜
29⅛	20⅝	AZP	2.72	10.	7	490	26⅝	26⅜	26½	+ ⅛
63⅜	38⅝	AbtLab	1.40	2.2	17	1266	62⅝	61½	62¼	+ ¾
25⅞	19⅝	AccoWd	.50	2.1	17	9	23⅞	23¾	23¾	
24¾	10	AcmeC	.40	3.4		89	11⅝	11¼	11⅝	+ ⅛
10½	7	AcmeE	.32b	4.4	11	5	7¼	7¼	7¼	- ⅛
19	15½	AdaEx	1.82e	10.		71	18½	18¼	18½	
20	13½	AdmMl	.40	2.1	6	21	19⅜	19⅜	18½	- ¼
15⅛	8⅝	AdvSys	.53t	3.5	22	64	u15¼	15	15⅛	+ ⅛
36⅞	22⅞	AMD			40	2001	27	26½	26⅞	+ ⅛
12¾	10⅝	Adobe n				694	12⅛	12	12⅛	+ ⅛
16¼	14⅝	Adob pfA				147	16⅛	16	16¼	+ ⅛
17⅞	15¼	Adob pfB				134	17⅛	17	17⅛	
12⅞	6⅞	Advest	.12a	1.1	10	359	11⅛	11¼	11¼	
53⅛	34⅝	AetnLf	2.64	5.1	17	4880	51⅞	51½	51⅞	+ ⅜
57½	53¼	AetL pf	5.19e	6.3		11	56	55⅞	55⅞	- ¼
40⅞	22⅛	Ahmns	1.20	3.8	7	735	40⅛	33¾	40⅛	+ ⅜
3⅞	2½	Aileen				10	2¾	2¾	2¾	

[illegible]

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from Page 48

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, November 26

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 47

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Attracted by weakness in blue chips

IN BRISK trading on Wall Street, the stock market continued to stand up to profit-takers yesterday, *writes Terry Bylond in New York.*

Some early losses were recovered at midsession as softness in the dollar brought support for the overseas earning stocks.

A 3pm the Dow Jones industrial average was 4.59 higher at 1,461.24.

Bond prices moved higher in thin trading, after the Commerce Department statistics on October durable goods orders disclosed an unexpected dip of 2.1 per cent.

Any weakening in the US economy strengthens the chances of a discount rate cut by the Federal Reserve. However, bond traders were squaring off positions ahead of the Thanksgiving Day holiday which will effectively close the fixed interest markets from this morning until Monday.

In the stock market, some initial weakness in blue chips attracted the buyers. Financial issues remained dull and with institutions unwilling to push prices higher ahead of the Thanksgiving weekend break, it was left to special situations to provide excitement.

The prominent feature was an early plunge in Texaco, which was suspended at $32¼ in the face of an imbalance of orders as sellers responded to hints in Texas newspapers that the oil company might be forced into Chapter 11 bankruptcy proceedings by the court order to pay $10.5bn to Pennzoil.

By midday, Texaco had restarted trading after a boardroom statement and a huge turnover of nearly 5m shares left the price at $32⅜, a loss of $1⅞. But institutions traded blocks of Texaco stock above this price in the third, or off-floor market. Pennzoil added $1 to $63¼ but was not heavily traded.

Another long-running takeover situation saw stock in SCM ease $⅝ to $72⅞ after the court denied Hanson Trust's request for an injunction to stop Merrill Lynch from buying important subsidiaries of SCM. The ruling reduces the chances of success for Hanson's offer for SCM, the highest available for stockholders.

But Rorer Group, a favoured takeover stock, turned sharply down after Sandoz of Switzerland denied interest. At $38⅝, Rorer lost $2¼.

Allis-Chalmers, the agricultural machinery and industrial group, eased $⅛ to $3¼ in minimal trading after Siemens of West Germany bought the remaining 12 per cent stake in the Siemens-Allis joint venture in the US.

Sea-Land, at $25⅛, gained $1 after rejecting a takeover offer of $25 a share from a private investor.

IBM edged up $½ to $139½ in thinnish turnover, while Digital Equipment rebounded $2⅜ to $118¾ after falling on Monday in response to brokerage comment.

The Detroit car stocks stood up well to the latest report of falling sales. General Motors holding steady at $70⅝, while Ford eased $⅜ to $54⅛.

The drug stocks, always ready to benefit from a lower dollar, were featured by gains of $2⅞ to $79 in Syntech and of $1 to $51½ in Pfizer.

A strong spot in the health care sectors was Warner Lambert, $1¼ higher at $41⅛ after plans for a stock buyback outweighed the effects of a heavy charge against earnings.

Profits news from the retail sector had little overall effect. Toys R Us remained unchanged at $36⅝ on the earnings statement. Department stores looked irregular, although Petrie Stores added $½ to $47⅞ on a sharp rise in third-quarter profits. US Shoe gained $⅞ to $45⅝, and The Gap $1¼ to $58⅝, both after trading reports.

In the credit market, federal funds continued to trade below 8 per cent without intervention from the Federal Reserve. Other short-term rates edged higher, however, reflecting need for funds ahead of the holiday.

In the bond market, the new key issue, the 9⅞ per cent 2015 issue auctioned last week, edged up ¼ point to 99 15/32. But turnover was narrow as traders wound down their positions in a market which does not expect to see much business after noon today.

KEY MARKET MONITORS

STOCK MARKET INDICES

	Nov 26	Previous	Year ago
NEW YORK			
DJ Industrials	1,461.24*	1,456.65	1,212.35
DJ Transport	676.73*	676.26	531.78
DJ Utilities	164.91*	165.37	144.65
S&P Composite	200.86*	200.36	165.55
LONDON		Prev	Year ago
FT Ord	1,128.5	1,146.9	925.3
FT-SE 100	1,431.9	1,445.5	1,172.3
FT-A All-share	693.77	702.06	558.62
FT-A 500	761.74	771.36	608.14
FT Gold mines	306.6	309.4	559.8
FT-A Long gilt	10.31	10.30	10.44
TOKYO			
Nikkei	12,783.1	12,783.39	11,163.0
Tokyo SE	1,008.27	1,008.4	846.99
AUSTRALIA			
All Ord.	996.4	1,000.2	765.5
Metals & Mins.	498.1	499.1	457.8
AUSTRIA			
Credit Aktien	121.93	119.22	58.46
BELGIUM			
Belgian SE	2,983.08	2,986.36	—
CANADA		Prev	Year ago
Toronto			
Metals & Minls	1,908.4*	1,921.43	1,972.0
Composite	2,813.6*	2,819.92	2,399.4
Montreal			
Portfolio	136.73*	137.04	119.16
DENMARK			
SE	219.78	219.62	168.93
FRANCE			
CAC Gen	247.9	248.3	181.7
Ind. Tendance	143.1	144.2	100.6
WEST GERMANY			
FAZ-Aktien	598.74	601.51	373.22
Commerzbank	1,763.6	1,774.5	1,092.1
HONG KONG			
Hang Seng	1,738.35	1,736.49	1,113.96
ITALY			
Banca Comm.	431.49	430.67	216.43
NETHERLANDS			
ANP-CBS Gen	238.0	239.2	178.4
ANP-CBS Ind	212.9	214.1	139.7
NORWAY			
Oslo SE	402.86	406.68	283.81
SINGAPORE			
Straits Times	717.60	729.23	824.43
SOUTH AFRICA			
JSE Golds	–	1,277.1	1,070.7
JSE Industrials	–	1,045.9	969.0
SPAIN			
Madrid SE	134.61	135.76	102.91
SWEDEN			
J & P	1,593.75	1,569.51	1,333.66
SWITZERLAND			
Swiss Bank Ind	534.5	535.2	376.9
WORLD	Nov 25	Prev	Year ago
Capital Int'l	244.7	244.0	185.4

COMMODITIES

(London)	Nov 26	Prev
Silver (spot fixing)	428.25p	426.45p
Copper (cash)	£943.25	£948.50
Coffee (Jan)	£1,840.50	£1,871.50
Oil (spot Arabian Light)	$27.95	$27.95

GOLD (per ounce)

	Nov 26	Prev
London	$331.75	$331.00
Zurich	$331.70	$330.75
Paris (fixing)	$333.33	$331.96
Luxembourg	$332.00	$330.00
New York (Dec)	$331.30*	$332.70

CURRENCIES

(London)	U.S. DOLLAR Nov 26	U.S. DOLLAR Previous	STERLING Nov 26	STERLING Previous
$	–	–	1.4705	1.4635
DM	2.549	2.566	3.7475	3.755
Yen	201.0	200.7	295.5	293.75
FFr	7.7675	7.8175	11.4225	11.44
SFr	2.091	2.101	3.075	3.075
Guilder	2.87	2.888	4.22	4.2275
Lira	1,722.0	1,732.0	2,532.25	2,534.75
BFr	51.6	51.85	75.8	75.9
C$	1.3777	1.37725	2.0193	2.01615

INTEREST RATES

	Nov 26	Prev
Euro-currencies (3-month offered rate)		
£	11⅛	11⅛
SFr	4 1/16	4
DM	4 13/16	4¾
FFr	9 5/16	9¼
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 3/16	8⅛
6-month U.S.$	8 3/16	8⅛
U.S. Fed Funds	7¾*	7¾
U.S. 3-month CDs	7.80*	7.75
U.S. 3-month T-bills	7.17*	7.205

U.S BONDS

Treasury		Nov 26* Price	Nov 26* Yield	Prev Price	Prev Yield
8¾	1987	99 31/32	8.517	99 31/32	8.517
9¾	1992	101 4/32	9.519	101 4/32	9.519
9½	1995	98 31/32	9.664	n/a	n/a
9⅞	2015	99 10/32	9.947	n/a	n/a

Treasury Index

Maturity (years)	Return index	Nov 26* Day's change	Yield	Day's change
1–30	133.53	+0.18	9.20	−0.03
1–10	131.21	+0.10	8.93	−0.02
1–3	127.26	+0.05	8.45	0
3–5	132.92	+0.14	9.16	−0.02
15–30	141.76	−0.46	10.18	−0.04

Source: Merrill Lynch

Corporate	Nov 26* Price	Nov 26* Yield	Prev Price	Prev Yield
AT & T				
10⅞ June 1990	101⅛	10.05	101⅛	10.05
3⅞ July 1990	84⅞	7.85	84⅞	7.85
8¾ May 2000	87¾	10.40	87¾	10.40
Xerox				
10⅞ Mar 1993	101⅜	10.47	101⅜	10.47
Diamond Shamrock				
10¾ May 1993	99	10.80	99	10.80
Federated Dept Stores				
10⅞ May 2013	96⅞	11.05	96⅞	11.05
Abbot Lab				
11.80 Feb 2013	105½	11.15	105½	11.15
Alcoa				
12¼ Dec 2012	104⅞	11.65	104⅞	11.65

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	80–31	81–03	80–22	80–22
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.98	93.00	92.95	92.98
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.28	92.28	92.26	92.28
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	92.00	92.00	91.94	92.00
20-year Notional Gilt £50,000 32nds of 100%				
Dec	112–28	112–29	112–12	112–25

* Latest available figures

LONDON

Firm trend halted by profit-taking

THE TEMPTATION to take profits was too strong for investors in London yesterday after the five-day upsurge in prices.

A broad mark-down of blue chips failed to deter the profit-takers, but around mid-morning the tone began to steady and it looked as though the squall had blown out. However, during the afternoon the market encountered more turbulence, dealers became worried over the absence of institutional support and the downturn gathered speed.

The FT Ordinary share index closed showing one of its heaviest falls for some time at 1,128.5, down 18.4.

Gilts drifted back with the exchange rate which initially lost firmness against the dollar. Small demand in an oversold market produced improvements ranging to ⅝ among both short and longer-dated stocks.

Chief price changes, Page 47, Details, Page 46, Share information service, Pages 44–45

AUSTRALIA

GOLD MINING was one of the few sectors to show any improvement in Sydney yesterday where prices were pulled lower by heavy selling in BHP.

The All Ordinaries share index lost 3.6 and dropped through the 1,000 level to eod at 996.4.

BHP, which fell 12 cents in Melbourne during the one-hour suspension of the Sydney stock exchange after a bomb scare, finished 18 cents lower on the day at A$8.44 following news of its plans to buy Houston-based Monsanto Oil for US$745m.

Among golds, Renison added 18 cents to A$5.20 and Kidston, GMK and Central Norseman all gained 10 cents to A$5.56, A$4.90 and A$7.30 respectively.

HONG KONG

AS TALKS over Hong Kong's political future began in Peking, shares ended higher in the colony yesterday with the Hang Seng index gaining 1.86 to 1,738.35.

Property issues, which have recently been heavily bought, ended lower. Cheung Kong lost 30 cents to HK$20.40, while both Hongkong Land and New World Developments shed 5 cents each to HK$6.80 and HK$8.45, respectively.

SINGAPORE

PERSISTENT selling kept prices lower across the board in Singapore yesterday. Investors appeared concerned over the continued debt problems at Pan-Electric Industries.

Most issues faded by between 1 and 5 cents. Blue chips registered the largest falls with Gentings off 5 cents at S$5.35, both Singapore Press and Malayan Banking off by a similar amount to S$6.15 and S$5.15 respectively and Sime Darby 2 cents lower at S$1.50.

SOUTH AFRICA

GOLDS turned easier in Johannesburg yesterday after starting trading mostly at the record highs reached on Monday.

Industrials, on the other hand, tended firmer taking the industrial index to a record high.

Buffels shed R1.50 to R88.50, Driefontein 75 cents to R56.25 while among banks, Barclays gained 50 cents to R19 and Nedbank eased 10 cents to R10.

CANADA

PROFIT-TAKING continued to take Toronto lower after last week's record gains.

Among active issues, Bell Canada stood unchanged at C$42¼. The group said its Bell Canada unit would set up a subsidiary to market franchising services in the US and Canada. Imperial Oil eased C$¼ to C$53½.

Mining and utility issues showed some gains in Montreal.

TOKYO

Deflated by concern on higher yen

CONCERN over the adverse effect on the Japanese economy of the yen's sharp rise against the dollar deflated activity in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average finished at 12,783.10, off 0.29 from the previous day. Volume totalled 281m shares compared with Monday's 256m. Falls outnumbered rises by 413 to 382, with 153 issues unchanged.

Soon after the yen broke the Y200 barrier against the dollar on Monday, Bank of Japan governor Mr Satoshi Sumita said the central bank would maintain its policy of keeping the yen at higher levels while paying due heed to economic trends. This made investors increasingly concerned over a possible economic setback.

As a result, asset-heavy stocks and constructions came under profit-taking pressure. These issues drew popularity the previous day because they will benefit from expansion of domestic demand and be little affected by the yen's appreciation.

Mitsubishi Estate lost Y20 to Y1,150 and Nippon Express Y3 to Y587.

Taisei fell Y4 to Y342 and Tobishima Y8 to Y382. But Wakachiku Construction and Shimizu Construction, both lagging behind other construction issues, added Y10 and Y12 to Y875 and Y399, respectively.

Blue chips fared poorly on prospects that the yen's surge would worsen their earnings position in the business year ending in March 1985. NEC got off to a steady start but finished at Y1,230, unchanged from the previous day. Ricoh shed Y20 to Y1,130, Matsushita Electric Industrial Y20 to Y1,200 and Sony Y30 to Y3,800.

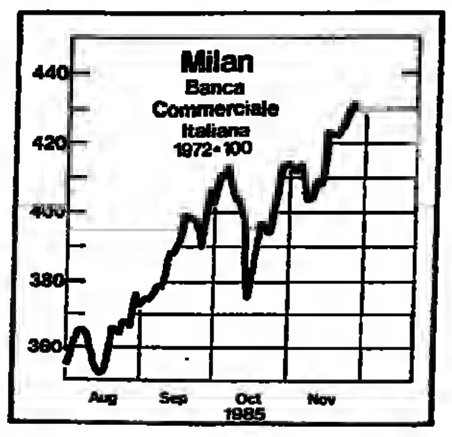
Large-capital stocks eased, with Mitsubishi Heavy Industries dropping Y3 to Y374 and Nippon Steel Y4 to Y155.

In lacklustre trading, incentive-backed issues surged on speculative buying. Oki Electric was the most active stock with 18.19m shares changing hands, gaining Y42 to Y719. Oki has been attracting buying interest on rumours of its capital tie-up with IBM.

Nippon Sheet Glass rose Y22 to Y617, supported by bright prospects for its optical communications-related products business. Nippon Kogaku advanced Y21 to Y1,919 and Anritsu Electric Y100 to Y2,490.

Kao closed Y25 higher at Y997 after rising to Y1,000, helped by expansion of its toiletry and electronics business.

Bond prices surged, supported by active buying from city banks and securities houses. The yield on the benchmark 6.8 per cent government bond, maturing in December 1994, fell to 6.275 per cent from Monday's 6.460 per cent.



EUROPE

Record run begins to lose steam

SOME OF THE STEAM of the record-breaking run on the European bourses was lost yesterday as profit-takers moved in on a large scale. The setback proved largely technical in nature with most centres still fundamentally sound.

Milan managed to reach another record level despite having much corporate news to digest and a healthy horde of profit-takers with which to contend. The Banca Commerciale index inched 0.72 higher to an all-time peak of 431.49.

Reports that Gemina may sell its stake in Montedison and that state merchant bank Mediobanca will be privatised occupied the attention of many investors for most of the session.

The early fall in Montedison's share price triggered some unease and subsequent heavy trading in the group pushed it L12 lower to L2,499.

Mediobanca also staged an uncertain performance after last week's breathtaking advance. The bank, in which three state-controlled banks will now reduce their majority holding, lost L1,000 to finish at L138,500.

Other banks lost ground in sympathy with Banca Commerciale L55 cheaper at L24,745, and BNA, down L10 to L7,190.

Fiat reversed the sharp rise of the previous session to close L18 down at L5,030 and Olivetti, steady on Monday, lost L73 to L7,847. Saipem moved against the weaker industrial trend with a L25 gain to L7,030.

Insurers rose sharply with Ras L3,500 stronger at L139,500 and Generali L320 firmer at L69,870.

Unofficial after bourse trading hit Fiat and Ras.

Thin trading in **Frankfurt** exasperated the technical reverse from last week's rally. The strong interim figures from Commerzbank and Bayer had already been discounted and little support was evident for either group. The former eased 30 pfg to DM 274.20, while the latter dipped DM 3.50 to DM 258.50.

The absence of foreign buyers was only partially offset by a small number of domestic investors and the Commerzbank index lost 11.2 to 1,763.3.

The softer dollar also cast a cloud over export-sensitive issues such as carmakers. Porsche, always vulnerable to dollar fluctuations, lost DM 15 on cue to DM 1,290 although Daimler displayed unusual weakness with a sharp DM 18.50 fall to DM 1,209.5. BMW suffered a proportionally more damaging decline with a bruising DM 17 drop to DM 581.

Isolated bright spots included Metallgesellschaft's DM 3 rise to DM 307 on higher world sales figures and engineer GHH managed an early rise of DM 2.40 before closing DM 5 lower at DM 223. Specialist ceramics group Rosenthal added 80 pfg to DM 321 while Brown Boveri scored an impressive DM 4.50 advance to DM 298.

Banks were very mixed while stores, recently buoyed by strong demand, were trampled by profit-takers with Karstadt worst affected with its DM 10.50 decline to DM 338.50.

Bonds mixed with a firmer bias, saw gains of up to 35 basis points and losses up to 15 basis points. The Bundesbank was moderately active with sales of paper increasing to DM 32.7m from Monday's sales of only DM 7m.

Amsterdam turned mixed although strong UK support for Philips boosted it 60 cents higher to Fl 54.40 Boskalis held at Fl 19.50 as details of its crucial restructuring plan were revealed. Bonds were lower where changed.

Early losses were partially overturned in **Paris** but prices still finished lower on the day in heavy trading. Some investor buying power was aimed at issues that appeared neglected in the recent surge that has boosted share values by 20 per cent on average.

A cavalry-like appearance by foreign and domestic institutions saved the day in **Zurich** which encountered early profit-taking among banks and then industrials. The market having survived the expected technical onslaught now appears poised to make further solid progress.

Pharmaceuticals injected further support into a stronger **Stockholm** while **Brussels** began to consolidate recent gains in moderate trading.

Telecommunications led the downturn in **Madrid** as utilities, fresh from their capital raising plans, lost ground.